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**THE INTERNATIONALISATION OF BRITISH AND SPANISH BANKS:
IMPLICATIONS FOR THE EXISTENCE AND OPERATION
OF EUROPEAN WORKS COUNCILS**

By

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A thesis submitted in partial fulfilment of the requirements for the degree
of Doctor of Philosophy

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TABLE OF CONTENTS

LIST OF TABLES	vii
LIST OF FIGURES	ix
ACKNOWLEDGEMENTS	x
DECLARATION	xii
ABSTRACT	xiii
LIST OF ABBREVIATIONS	xiv
CHAPTER 1 INTRODUCTION	1
1.1 INTRODUCTION	1
1.2 RATIONALE FOR THE STUDY	2
1.3 THE ARGUMENT OF THE THESIS	4
1.4 OVERVIEW OF THE THESIS	7
CHAPTER 2 THE INTERNATIONALISATION OF BANKING IN EUROPE	10
2.1 INTRODUCTION	10
2.2 STRATEGIC RESPONSES: INTERNATIONALISATION AND DIVERSIFICATION	12
2.2.1 <i>A Changing Competitive Environment: European Developments in Banking</i>	12
2.2.2 <i>The Extent of Internationalisation</i>	15
2.2.3 <i>Specific Strategies for Internationalisation</i>	19
2.3 THE NATURE OF INTERNATIONALISATION: STRUCTURE AND DECISION- MAKING	22
2.3.1 <i>The Choice of Corporate and Decision-Making Structures</i>	22
2.3.2 <i>Implications of Business Strategy and Structure for the Management of HR</i>	26
2.4 ORGANISATIONAL CHANGE AND IMPLICATIONS FOR JOB CONTENT AND HR IN BANKING	32
2.4.1 <i>International Convergence in Working Practices?</i>	34
2.5 CONCLUSION	42

CHAPTER 3 THE CONTEXT FOR THE DEVELOPMENT OF EWCs	45
3.1 INTRODUCTION	45
3.2 TRANSNATIONAL EMPLOYEE INFORMATION AND CONSULTATION	46
3.2.1 <i>State of Play of EWCs</i>	47
3.2.2 <i>EWCs in the Financial Services Sector</i>	50
3.3 THE RATIONALE FOR ESTABLISHING AN EWC	51
3.4 FACTORS INFLUENCING THE ROLE OF EWCs	63
3.4.1 <i>Actor-Centred Factors and their Influence on EWCs</i>	64
3.4.2 <i>Structural Factors and their Influence on EWCs</i>	68
3.4.3 <i>The Role of EWCs in Financial Services Firms</i>	74
3.5 EWCs AS A DRIVER OF EUROPEANISATION IN INDUSTRIAL RELATIONS	78
3.6 RESEARCH OPERATIONALISATION: ANALYTICAL FRAMEWORK	81
 CHAPTER 4 METHODOLOGY	 89
4.1 INTRODUCTION	89
4.2 ONTOLOGICAL AND EPISTEMOLOGICAL UNDERPINNING	90
4.2.1 <i>Meta-Theoretical Assumptions</i>	90
4.2.2 <i>Finding a Suitable Paradigm</i>	93
4.3 RESEARCH METHODOLOGY	93
4.3.1 <i>Research into EWCs: The Need for a Comparative Case Study Approach</i>	93
4.3.2 <i>Levels of Analysis</i>	95
4.4 THE RESEARCH DESIGN OF THE THESIS	98
4.4.1 <i>Selection of Countries</i>	100
4.4.2 <i>Selection of the Industry</i>	102
4.4.3 <i>Selection of Firms</i>	103
4.5 RESEARCH METHODS	104
4.5.1 <i>Data Collection</i>	105
4.5.2 <i>Data Analysis and Interpretation</i>	109
4.6 CONCLUSION	111
 CHAPTER 5 THE BANKING INDUSTRY IN THE UK AND SPAIN	 113
5.1 INTRODUCTION	113
5.2 EU DEVELOPMENTS IN THE BANKING SECTOR	114
5.3 THE BANKING INDUSTRY IN THE UK	115
5.3.1 <i>Market Organisation and the Structure of Banking Firms</i>	115

5.3.2	<i>Trends in the UK Banking Industry</i>	117
5.3.3	<i>The Employment System and HR at Company Level</i>	119
5.3.4	<i>The IR Context and Collective Employee Representation</i>	120
5.3.4.1	Workplace Representation and Employee Information and Consultation	123
5.4	THE BANKING INDUSTRY IN SPAIN	124
5.4.1	<i>Market Organisation and the Structure of Banking Firms</i>	124
5.4.2	<i>Trends in the Spanish Banking Industry</i>	127
5.4.3	<i>The Employment System and HR at Company Level</i>	128
5.4.4	<i>The IR Context and Collective Employee Representation</i>	130
5.4.4.1	Workplace Representation and Employee Information and Consultation	133
5.5	CONCLUSION	136
CHAPTER 6	CASE STUDIES: THE UK BANKS	139
6.1	INTRODUCTION	139
6.2	HSBC GROUP	139
6.2.1	<i>Group History</i>	139
6.2.2	<i>Group Activities and International Operations</i>	140
6.2.3	<i>Organisational Structure</i>	142
6.2.3.1	Organisation Structure of HSBC Bank Plc.	144
6.2.3.2	The HR Function: Organisational and Management Structure	144
6.2.4	<i>HR Policy and Practice in HSBC Bank</i>	146
6.2.4.1	Home Country Co-ordination of HR Home	146
6.2.4.2	International Coordination of HR	147
6.2.5	<i>Industrial Relations in HSBC Plc.</i>	148
6.2.5.1	Trade Union Recognition	148
6.2.5.2	Collective Bargaining Structure and Content	150
6.2.5.3	Main HR/IR Changes and Implementation of these Changes	151
6.2.6	<i>Transnational Information and Consultation: HSBC Employee Forum</i>	155
6.3	LLOYDS-TSB GROUP (LTSB Group)	161
6.3.1	<i>Group History</i>	161
6.3.2	<i>Group Activities and International Operations</i>	162
6.3.3	<i>Organisational Structure</i>	163
6.3.3.1	The HR Function: Organisational and Management Structure	165
6.3.4	<i>HR Policy and Practice in LTSB</i>	166
6.3.4.1	Home Country Coordination of HR	166
6.3.4.2	International Coordination of HR	167
6.3.5	<i>Industrial Relations in LTSB</i>	167

6.3.5.1 Trade Union Recognition	167
6.3.5.2 Collective Bargaining Structure and Content	169
6.3.5.3 Main HR/IR Changes and Implementation of these Changes	170
6.3.6 <i>Transnational Information and Consultation: LTSB European Employee Forum</i>	174
6.4 CONCLUSION	178
 CHAPTER 7 CASE STUDIES: THE SPANISH BANKS	 180
7.1 INTRODUCTION	180
7.2 BANCO SANTADER CENTRAL HISPANO GROUP (BSCH GROUP)	180
7.2.1 <i>Group History</i>	180
7.2.2 <i>Group Activities and International Operations</i>	181
7.2.3 <i>Organisational Structure</i>	185
7.2.3.1 The HR Function: Organisational and Management Structure	186
7.2.4 <i>HR Policy and Practice in BSCH</i>	189
7.2.4.1 Home Country Coordination of HR	189
7.2.4.2 International Coordination of HR	189
7.2.5 <i>Industrial Relations in BSCH</i>	190
7.2.5.1 Trade Union Recognition	190
7.2.5.2 Collective Bargaining Structure and Content	191
7.2.5.3 Main HR/IR Changes and Implementation of these Changes	193
7.2.6 <i>Transnational Employee Information and Consultation</i>	197
7.3 BANCO BILBAO VIZCAYA ARGENTARIA GROUP (BBVA GROUP)	198
7.3.1 <i>Group History</i>	198
7.3.2 <i>Group Activities and International Operations</i>	199
7.3.3 <i>Organisational Structure</i>	203
7.3.3.1 The HR Function: Organisational and Management Structure	205
7.3.4 <i>HR Policy and Practice in BBVA</i>	206
7.3.4.1 Home Country Coordination of HR	206
7.3.4.2 International Coordination of HR	207
7.3.5 <i>Industrial Relations in BBVA</i>	207
7.3.5.1 Trade Union Recognition	207
7.3.5.2 Collective Bargaining Structure and Content	208
7.3.5.3 Main HR/IR Changes and Implementation of these Changes	209
7.3.6 <i>Transnational Employee Information and Consultation</i>	214
7.4 CONCLUSION	215

CHAPTER 8 EXPLAINING THE EXISTENCE OF EWCs	217
8.1 INTRODUCTION	217
8.2 THE EXTENT OF INTERNATIONALISATION OF GROUP ACTIVITIES	219
8.2.1 <i>Geographical Diversification and Extent of European Operations</i>	219
8.2.2 <i>Business Portfolio of the International Operations</i>	222
8.3 THE EXTENT OF INTERNATIONALISATION OF BUSINESS STRUCTURES	227
8.3.1 <i>Group Structure</i>	227
8.3.2 <i>Structure of HR and IR Functions</i>	233
8.4 INTERNATIONAL COORDINATION OF HR POLICY AND PRACTICE	235
8.4.1 <i>Degree of Coordination of HR Home Country Policies</i>	236
8.4.2 <i>Degree of HR International Coordination: Formalised Procedures and Management Policy</i>	237
8.4.2.1 Division of Responsibilities between International Business Divisions and National Operations	237
8.4.2.2 Cross-border Coordination of HR Policy and Practice	239
8.4.3 <i>Implementation of an International Strategy in HR: Rewards Systems as an Example</i>	247
8.4.4 <i>The Use of Standardised Control Mechanisms</i>	250
8.4.5 <i>Conclusion</i>	251
8.5 HR COORDINATION VERSUS THE NATURE OF INTERNATIONALISATION: IMPLICATIONS FOR MANAGEMENT AND TRADE UNION POLICY TOWARDS EWCs	252
8.6 EMPLOYEE REPRESENTATION	256
8.6.1 <i>Trade Union Recognition and Employee Representation Structures</i>	256
8.6.2 <i>Extent of Information and Consultation over Employment Matters</i>	256
8.6.3 <i>Trade Union Policy: Cross-National Trade Union Cooperation</i>	267
8.7 CONCLUSION	268
CHAPTER 9 EXPLAINING THE INFLUENCE AND ROLE OF EWCs	273
9.1 INTRODUCTION	273
9.2 THE NATURE OF THE EWC AT HSBC AND LTSB	274
9.3 ASSESSING THE IMPACT OF THE EWCs AT HSBC AND LTSB	278
9.3.1 <i>Impact on Management Decision Making</i>	278
9.3.2 <i>Impact on National Company Level IR</i>	280
9.3.2.1 Direct Effects: New Structures for Information and Coordination	280

9.3.2.2 Indirect Effects: Access to New Information	283
9.3.3 <i>Impact on Attitude Related Factors</i>	285
9.3.3.1 Attitude Changes amongst Management	286
9.3.3.2 Attitude Changes on the Employee Side	289
9.4 EXPLAINING VARIATION ACROSS CASES AND OVER TIME	292
9.5 CONCLUSION	298
 CHAPTER 10 CONCLUSIONS	 302
10.1 INTRODUCTION	302
10.2 THE MAIN FINDINGS	302
10.2.1 <i>Key Forces and Analytical Framework</i>	303
10.2.2 <i>The Importance of the Firm's Internationalisation Strategy</i>	306
10.2.3 <i>The Importance of the Firm's Sector and 'Sub-sector'</i>	308
10.3 IMPLICATIONS OF THE RESEARCH	310
10.3.1 <i>Implications for Research</i>	310
10.3.2 <i>Implications for Within-Country EWC Research</i>	311
10.3.3 <i>Implications for EWC's Practice</i>	312
10.3.4 <i>Policy Implications</i>	316
 APPENDICES	 319
APPENDIX TO CHAPTER 3	319
APPENDIX TO CHAPTER 6	320
APPENDIX TO CHAPTER 7	321
 REFERENCES	 323

LIST OF TABLES

Chapter 2

Table 2.1	MNCs According to their Organisational Structure: Typologies	23
-----------	--	----

Chapter 3

Table 3.1	EWCs Established According to Sector of Activity	48
Table 3.2	EWCs in the Financial Services Sector by Country of Origin	51
Table 3.3	The Role of EWCs in the Financial Services Sector	75

Appendix to Chapter 3

Table 3.a	EWCs in the Financial Services Sector	319
-----------	---------------------------------------	-----

Chapter 4

Table 4.1	Distribution of Interviews by Company and Respondent Category	107
Table 4.2	Distribution of Interviews within each Case Study Firm	108

Chapter 6

Table 6.1	HSBC's Profits and Employment Figures	140
Table 6.2	HSBC plc. International Banking: Sites of Operation	141
Table 6.3	Profits and Employment Figures in LTSB Group by Division	162
Table 6.4	LTSB's European Operations outside the UK	163

Appendix to Chapter 6

Table 6.a	HSBC Bank's Operations in Europe	320
-----------	----------------------------------	-----

Chapter 7

Table 7.1	BSCH's Profits and Employment Numbers per Business Area	182
Table 7.2	BSCH's Operations in Europe	183
Table 7.3	Summary of BSCH Group	183
Table 7.4	BBVA's Profits by Business Division	200
Table 7.5	BBVA's Operations in Europe	202

Appendix to Chapter 7

Table 7.a	BSCH's Operations in Latin America - Retail and Commercial Banking	321
Table 7.b	BSCH's Operations in Latin America - Wholesale Banking	321
Table 7.c	Results of Trade Union Elections in BSCH (2002)	321
Table 7.d	BBVA Group - Operations in Latin America (BBVA America)	322
Table 7.e	Results of Trade Union Elections in BBVA (2002)	322

Chapter 8

Table 8.1	Employment Profile and Geographical Distribution of Employment of the Main Case Studies	221
Table 8.2	Integration Process of HSBC in Europe	230
Table 8.3	Business Structure of the Main Case Study Firms	232

Table 8.4	Levels of IR and HR responsibility in the Main Case Study Firms	239
Table 8.5	Trade Union Recognition in the Main Case Studies	257
Table 8.6	Levels and Content of Bargaining in the Main Case Studies	260
Table 8.7	Levels and Content of Information and Consultation in the Main Case Studies	261
 Chapter 9		
Table 9.1	Lecher et al.'s Typology (2001) of EWCs' Development	274
Table 9.2	Fields of Interaction at HSBC's and LTSB's EWCs	276
Table 9.3	EWC's Profile in HSBC and LTSB	296

LIST OF FIGURES

Chapter 3

Figure 3.1	Factors Influencing EWC's Establishment- Diagrammatic Representation	83
Figure 3.2	Factors Influencing EWC's Role and Development– Diagrammatic Representation	86

Chapter 4

Figure 4.1	Research Design of the Study	99
------------	------------------------------	----

Chapter 6

Figure 6.1	HSBC Holdings - Organisational Chart	143
Figure 6.2	Organisational Chart LTSB's Group	164

Chapter 7

Figure 7.1	BSCH Group - Organisational Chart	185
Figure 7.2	Structure of the BSCH Corporate HR Function	187
Figure 7.3	BBVA Group – Organisational Chart	204
Figure 7.4	Structure of the BBVA Corporate HR Function	206

Chapter 8

Figure 8.1	Geographical Distribution of Assets of the Main Case Studies	221
Figure 8.2	Explaining the Establishment/Non-Establishment of EWCs in Banking: Four UK and Spanish Firms	269

Chapter 9

Figure 9.1	Explaining the Role and Development of EWCs in Banking: Two UK Firms	300
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DECLARATION

This is to declare that:

- I am responsible for the work submitted in this thesis.
- I have written this work.
- During the preparation of this thesis the following papers were published. The remaining parts of the thesis are unpublished.

1. Quintana Fernández, M. (2003). The Different Dimensions of 'Europeanisation' in the Banking Sector: Implications for EWCs, Warwick Papers in Industrial Relations, No.72, April.
2. Quintana Fernández, M. (2003). Internationalisation of Banking in Europe: Implications for European Works Councils, Employee Relations, Vol. 25, No.6, pp.574-593.

- This work has not previously been submitted within a degree programme at this or any other institution.

Signature: 

Date: 7th May 2004

ABSTRACT

Within the context of the internationalisation of business organisations and human resource practices, this thesis contributes to an enhanced understanding of the factors influencing the establishment and operation of European Works Councils (EWCs) in multinational companies. Specifically, the thesis examines EWCs in the banking sector, a sector whose EWCs have not previously been subject to a great deal of analysis. A cross-case comparison of four highly internationalised banks - HSBC and Lloyds TSB in the UK, and BSCH and BBVA in Spain - is undertaken.

The thesis explores debates in the literature regarding the establishment and impact of EWCs. Theories based on the internationalisation of business strategies, structures and cross-border HR management are drawn on to build a novel integrated analytical framework, which identifies the factors likely to shape first the establishment/non-establishment of EWCs and second their operation. Analysis of the specific cases is then carried out, based on extensive qualitative fieldwork in the case companies.

The premise of the thesis is that the internationalisation of business operations and company/management organisation and structure are fertile ground for the internationalisation of management approaches to HR and employment practice. In turn, this suggests a promising future for EWCs. However, the analytical findings suggest a mismatch between the prospects for EWCs and the organisational reality of some 'European' multinational firms whose operations are strongly orientated towards other parts of the world. In particular, it is found that the non-existence of EWCs in the two most internationalised Spanish banks is strongly related to their internationalisation, whereby their international businesses, management structures and cross-border HR coordination are all heavily oriented towards Latin America. These factors are found to be key in shaping not only management but also trade union policy towards EWCs. The thesis also finds that such factors are central in shaping differences in the operation of the EWCs at two of the largest UK-based financial groups. The overall findings of the thesis suggest several potential avenues for further research and for consideration in revising the European Works Councils Directive.

LIST OF ABBREVIATIONS

AEB	Asociación Española de Banca
AM	Asset Management
AMI	Asociación de Mandos Intermedios
ATM(s)	Automatic Cash Machine(s)
BBA	British Bankers Association
BBV	Banco Bilbao Vizcaya
BBVA	Banco Bilbao Vizcaya Argentaria
BCH	Banco Central Hispano
BS	Banco Santander
BSCH	Banco Santander Central Hispano
CBI	Confederation of British Industry
CC.OO	Confederación Sindical de Comisiones Obreras
CCF	Crédit Commercial de France .
CEO	Chief Executive Officer
CEOE	Confederación Española de Organizaciones Empresariales
COMFLA	Federación de Servicios Administrativos y Financieros
EEA	European Economic Area
ETT	Empresa de Trabajo Temporal -Temporary Work Agency
ETUC	European Trade Union Congress
EU	European Union
EW(s)	European Works Council(s)
EWCD	European Works Councils Directive
Fes	Federación Estatal de Servicios
FITC	Federación Independiente de Trabajadores del Crédito
GDP	Gross Domestic Product
GWB	Global Wholesale Banking
HQ(s)	Headquarter(s)
HR	Human Resources
HRM	Human Resource Management
HSBC	Hong Kong and Shanghai Banking Corporation
ICO	Instituto de Crédito Oficial
ICTs	Information and Communication Technologies
ILO	International Labour Office
IPSL	Intelligent Processing Solutions Ltd.
IR	Industrial Relations
LTSB	Lloyds TSB
LTU	Lloyds TSB Union
MNC(s)	Multinational Company(ies)
MSF	Manufacturing, Science and Finance Union
OECD	Organisation for Economic Cooperation and Development
PB	Private Banking
PLC	Public Limited Company
PRP	Performance Related Pay
SNB(s)	Special Negotiating Body(ies)
TSB	Trustee Savings Bank
TUC	Trade Union Congress
UGT	Unión General de Trabajadores

Chapter 1

INTRODUCTION

1.1 INTRODUCTION

The focus of this research is transnational employee information and consultation arrangements in the context of the internationalisation of business organisations and human resource (HR) practices. Hence, within the context of Europe, there is a particular interest in the establishment and operation of European Works Councils (EWCs). One aim is to enhance understanding of the factors that influence the decision to set up an EWC in multinational companies (MNCs), and, equally the factors that lead to the decision not to set up an EWC. A second aim is to understand more about the factors that shape the operation and role of EWCs.

Analysis of the constitution and operation of EWCs is a fast developing field with a growing number of streams of inquiry. This thesis looks at the case of EWCs in banking organisations of UK and Spanish origin. A cross-case comparison of four large and highly internationalised financial groups (HSBC and Lloyds-TSB in the UK; BSCH and BBVA in Spain), based on extensive fieldwork, forms the main empirical base for the research. The specific focus is therefore twofold. First, to understand what determines the existence of EWCs in banks, differentiating the most internationalised UK banks – where they do exist, from the most internationalised Spanish banks – where they do not. Second, to understand differences in the nature of EWCs, their level of activity, and

their influence in those organisations in which they already exist, that is in the two UK banks.

1.2 RATIONALE FOR THE STUDY

There is considerable academic interest in the consequences of European integration for industrial relations (IR) and human resources (HR) within MNCs. European integration has facilitated restructuring and consolidation within national boundaries, and also cross-border mergers and acquisitions and the organic internationalisation of firms. Within this context, this study addresses questions concerning the implications of changes in the organisation of production and markets for the management of IR and HR within banking corporations. In order to do so, special reference is afforded to the implications of one of the most prominent developments in terms of European legislation at company level, the EWCs.

EWCs are a relatively new institution in international firms. Although the first voluntary established arrangements for transnational information and consultation at company level date back to the late 1980s, it was only after the enactment of the EWCs Directive in 1994 that the number of EWC-type arrangements rapidly increased. Recent figures show that already 639 MNCs have established EWCs (Kerckhofs, 2002). Research on EWCs has flourished and now comprises a significant body of literature with a great variety of contributions, a comprehensive review of which has been compiled by Müller and Hoffmann (2001). Despite undeniable advance in understanding this novel institution, however, there remains significant scope for further research.

This study will contribute to existing knowledge, both on the factors surrounding the establishment of EWCs and on their operation and functioning. It will take a

comparative case study approach, complementing existing studies which have previously developed this methodology (Lecher et al., 1999; Lecher et al., 2001; Lecher et al., 2002; Hall et al., 2003; Marginson et al., 2004). However, unlike existing studies, this research will embrace both MNCs without EWCs and those with them. This is important because only approximately one third of the MNCs covered by the EWCs Directive have EWCs (Kerckhofs, 2002), and, to the researcher's knowledge, with the exception of Blokland and Berentsen (2003), all EWC related research has been carried out in MNCs with EWCs. It is claimed here that while an understanding of the factors which trigger the constitution of EWCs is key to studying the reasons behind the existence/non-existence of an EWC, a more comprehensive picture can be obtained by investigating why some companies have not established an EWC, and which factors are important in this choice. On a different note, Lecher et al.'s research (1999; 2001, 2002) has not paid systematic attention to the management side in their analysis. This study also therefore addresses this imbalance, in line with the recent work of Warwick Business School researchers (Hall et al., 2003; Marginson et al., 2004).

Whilst the study of a number of case company studies in this research will add to existing studies, numerical addition is not the only contribution. Further, it is intended to expand knowledge on the limited available evidence on the service sectors, and specifically the banking sector (note that sector and industry will be used indistinctively in this thesis). A great deal of empirical EWC research has focused on manufacturing companies, which tend to present more integrated product and internal structures. By focusing on the banking sector, an aim is to contrast findings with previous research and examine whether the results of this earlier research are applicable to the banking sector. Also, much empirical evidence originates from French-based MNCs, Germany and other Northern European countries, and to a lesser extent from Anglo-Saxon countries

(Müller and Hoffmann, 2001). Through this study, I intent to explore whether previous analysis conducted on the basis of such empirical findings is applicable to Spain, a country that belongs to a different tradition of IR and socio-economic and political systems. In addition, because of the historical links of the country, MNCs tend to be strongly oriented towards Latin America rather than Europe, something that is anticipated to be a likely influence on EWC-related activity. Research on EWCs in Spain is itself scarce, due to the small number of EWCs in Spanish-based companies and the consequently marginal role they play in domestic IR practice. This research therefore aims to fill this gap. Furthermore, it aims to do so from an empirically informed approach, more typical of the UK IR research tradition (Hyman, 1995). In this sense, it complements the predominantly legalistic Spanish research on IR, which until now has dealt mostly with the implementation of the EWC Directive.

1.3 THE ARGUMENT AND APPROACH OF THE THESIS

It is argued that the internationalisation of business operations and company/management organisation and structure are fertile ground for the internationalisation of management approaches to HR and employment practice. In turn, this suggests a promising future for EWCs. However, the findings of this study suggest a mismatch between the prospects for EWCs and the organisational reality of some 'European' MNCs whose operations are strongly oriented towards regions other than Europe. More broadly, implications are drawn with regards to the debate on the Europeanisation of IR. Within the current trend towards decentralisation of IR to the enterprise level, there are two possible trajectories: 'organised' and disorganised' decentralisation (Traxler, 1995). In so far as disorganised decentralisation becomes more widespread beyond the UK, which is the current main instance of this form of decentralisation, EWCs could promote convergence of workplace employee

representation across Europe and act as a driving force for the harmonisation of trade union policies on employment issues and collective bargaining. It is within this context that EWCs have been seen as a vehicle for the Europeanisation of IR at company level. However, it is often assumed in the 'Europeanisation' debate that Europe is the principal destination of the European MNCs' foreign investment and growth, which due to historical and cultural links is not always the case. When this happens, interest in the EWCs as a European transnational structure for enterprise-based IR is expected to decline both for management and trade unions.

The analysis of voluntary EWC agreements has been used as a starting point from which to draw implications regarding the factors that influence the emergence of EWCs and their structural and operational features. Four factors have been identified: national, sector, company-specific and legislative influences. As Müller and Hoffmann (2001) have found in their in-depth review of relevant literature, the influence of these four categories of factors might not happen simultaneously, and there appears to be a time factor in the framework. Moreover, these authors suggest that whilst national factors seemed to play a greater role in the emergence of early voluntary EWC agreements, sector and legislative factors appear to have been more prominent in the agreements concluded during the implementation period up to 1996.

Despite being useful both for EWC practitioners and posterior EWC research, this initial analysis of EWCs presents methodological shortcomings in that the analysis of agreements might only provide partial explanations for the real factors influencing the emergence and shape of EWCs. In the words of Lecher et al. (1999:97), an EWC agreement "is merely the starting point not the end of the EWC's development". As the practice and experience of newly established EWCs has developed, parallel

methodologies to investigate them have proliferated, including survey and interview-based (often in the form of case study) research into the practice of EWCs. Early case study research was mainly single case-based (Wills, 1998; Royle, 1999; Whittall, 2000), which while useful, tended to consider the influencing factors in an isolated manner, and therefore made difficult the creation of a systematic framework for the analysis of EWC existence and practice. Müller and Hoffmann (2001:77) point out that the work of Lecher et al. (1999; 2001) is the first systematic attempt “to take into account the complex and interdependent relationship between the development of EWCs and the variety of ‘external’ and ‘internal’ influencing impinging on this process”.

The limited amount of in-depth comparative research into EWCs justifies the approach of this study: a qualitative comparative study of the existence and evolution of EWCs carried out through a cross-case comparison of four different firms of the same industry in two countries. The nature of the research allows for intra-country as well as cross-country comparison, with cross-case comparisons among two banking firms of Spanish origin and two banking firms of UK origin. It also enables the issue under study to be addressed from multiple perspectives, by investigating the position of employee representatives and management, the two main groups intervening in the EWC process. In turn, the methodology of this research has facilitated two main sets of case-specific findings, from which more general implications can be drawn. Firstly, it is found that the non-existence of EWCs in large, international Spanish banks as compared to their similarly internationalised UK counterparts can be related to a number of key factors. These are the banks’ strategy of internationalisation and the existence of international management structures, both strongly oriented towards their operations in Latin America, which play a key role in shaping the extent of cross-border business and HR integration within the firms. In turn, such factors strongly influence both management

and trade union policy on pursuing the establishment of an EWCs. Secondly, it is found that the operation, activity and influence of the existing EWCs in the two UK banks significantly differs, a finding which a number of factors can help to explain. Among these, particular importance is again placed on the banks' strategy of internationalisation, the nature of their business and management structures, and the degree of cross-border HR integration pursued within the firms. These related factors were found to significantly influence management and trade union policy towards the EWC. Also of particular importance is the cohesion of the employee side, both at UK domestic level and internationally.

1.4 OVERVIEW OF THE THESIS

Following this introductory Chapter in which the main features and rationale of the research are outlined, the thesis is organised as follows.

Chapter 2 opens with an exploration of the major developments that have taken place in the banking industry of most industrialised countries, with a special focus on the European Union (EU). The aim is to set the context of the study and map sector developments that will be important for grounding the analysis of employee information and consultation practices in the banking sector. This is followed by an exploration of the key sets of influences on the way in which labour is managed within MNCs. As firms internationalise, the role of human resource management (HRM) in managing the complexity and heterogeneity of their international business activities is becoming increasingly important. This is argued to have clear implications for the decision to establish or not an EWC.

Chapter 3 addresses the main debates in the literature regarding the establishment and impact of EWCs. Given the burgeoning research on EWCs, the chapter aims to be selective in order to present only findings directly relevant to the area of concern. After introducing the background to the EWCs Directive (EWCD) and current quantitative developments on EWCs, the chapter goes on to analytically review, first, the available evidence on factors promoting the establishment of EWCs, and second, the available evidence on the factors shaping the operation and influence of EWCs. This review establishes the need for further research using alternative approaches. The chapter then explores the debate linking EWCs' impact with the drive towards a European system of IR, and raises awareness of some potential limitations of this perspective. Finally, on the basis of the analysis conducted in Chapters 2 and 3, the analytical framework is proposed. This integrates a range of structural and behavioural factors, and its purpose is to inform the approach taken in addressing the two main questions of this study:

- What determines the existence or not of EWCs, differentiating the most internationalised British banks from the most internationalised of Spanish banks?
- What determines the differences in the nature, level of activity and influence of EWCs in the banks in which they do exist?

Chapter 4 presents the methodological underpinnings and the research design and methods adopted to conduct the empirical part of the research. A qualitative methodology using a comparative case study approach at the firm level, and drawing on four main case studies in one industry and two countries, has been chosen to address the research questions set up in previous Chapters.

From Chapter 5, the empirical investigation of the thesis is presented. Chapter 5 highlights relevant features of the UK and Spanish banking sectors, providing an analysis of the context for the operations and decision-making of the case study firms. Attention is particularly focused on the market organisation and structure of the firms, the employment systems, and the IR context, including the role of the state and of collective representation structures.

Chapters 6 and 7 present issue-organised chronological case study analysis of the UK and Spanish companies respectively. The main aim of these Chapters is to outline the significant strategic, structural and organisational changes within the four case studies, elements of which shape the later establishment and/or operation of their EWCs.

Chapter 8 and 9 constitute the main analytical part of the thesis. Chapter 8 presents a detailed comparative analysis of the four case study firms, focussing on the factors shaping the decision to establish or not establish an EWC. This is done by drawing on a number of issues/categories selected on the basis of their relevance to the establishment of EWCs. Chapter 9 carries out a comparative analysis of the two British-based case study firms in which EWCs are currently in operation, and aims to unveil the factors shaping the operation and role of the EWCs over time.

Chapter 10 concludes this thesis by summarising the main research findings. A number of implications from the research findings are also discussed. The Chapter ends with suggestions for further research.

Chapter 2

THE INTERNATIONALISATION OF BANKING IN EUROPE

2.1 INTRODUCTION

Recent decades have seen radical restructuring within the banking sectors of most industrialised countries. While various factors lie behind these transformations, three primary driving forces can be identified. First, there are the globalisation processes that have characterised the world economy in the last twenty years. These have affected the banking sector both directly, through the increasing interdependence of national financial markets, and indirectly, through the parallel internationalisation of enterprises, which constitute an important customer base (Walter, 1988, cited in Canals, 1996).¹ Accompanying this has been the relaxation of regulations affecting the banking industry in most countries, including the decreasing intervention of central banks. Finally, the introduction of new information and communication technologies (ICTs) has been a third important factor behind the transformations.

Above all, these changes have been associated with a rapid increase in competition, both at national and international level, often resulting in significant profit reductions for the less competitive banks. In order to maintain or gain competitiveness many banks have seen the need to modify their competitive strategies and traditional forms of organisation, and often to search for international markets. This Chapter seeks to analyse these changes with a view to exploring the implications for processes of

transnational information and consultation in international banks,² with specific reference to the role of EWCs.

Debate surrounding the impact of MNCs on employment and IR practices has often focused on the dichotomy between 'national business systems' and more 'global' approaches (Ferner and Quintanilla, 1998). A distinctive variant of these arguments has highlighted the significance of developments at a European level, in particular the emergence of distinct forms of company organisation around specific employment and IR policies (Marginson, 2000). This has emerged partly as a response to Community legislative developments, and this research is concerned with one particularly important legislative development, the Directive on EWCs (European Commission, 1994). The aim is to address the tension between the legislative requirements for MNCs operating within Europe and the general economic and organisational behaviour of these firms. On the one hand, institutional pressures for a European dimension to corporate activity, for example in the form of European-level employee information and consultation, are said to promote internal IR structures that might generate more integrated approaches to IR across European countries. On the other hand, however, international competitive pressures and historical developments shape company's choices regarding the structure and evolution of their operations, including outside the EU, and hence the orientation of their IR practices.

Section 2.2 explores banks' strategic responses to the aforementioned changes, discussing in particular their internationalisation strategies. Section 2.3 then examines

¹ In this sense, globalisation can perhaps be considered a more complex process for banks than for companies in other sectors (Canals, 1996).

² I follow Marginson (1992:63) and refer to international banks in terms of direct ownership of production and service provision in overseas operations, taking the form of wholly or partially owned operations or joint ventures.

the nature of internationalisation with specific regard to company structures. Section 2.4 discusses the relationship between the strategic and structural nature of internationalisation and the management of HR. This is done by first exploring the way in which transnational management influence can take place within firms, and second by comparing developments in job content and work organisation across borders. Section 2.5 then suggests links between the internationalisation of firms and HR/IR-related issues, in particular European company-level transnational processes for information and consultation. Finally, Section 2.6 draws some conclusions.

Throughout, it will be important to distinguish between two distinct, but often linked, parts of the sector; retail and wholesale/investment banking. Whereas in retail banking the national context continues to play an important role, with local presence and knowledge important, in wholesale and particularly investment banking, the local element is less significant in the context of truly global markets dominated by institutional investors (Kalff, 1996:176). The focus of this thesis is primarily on retail banking, where most employment is concentrated and where there is a higher presence of collective employee representation.

2.2 STRATEGIC RESPONSES: INTERNATIONALISATION AND DIVERSIFICATION

2.2.1 A Changing Competitive Environment: European Developments in Banking

The transnational integration of financial markets has affected the operations of banks throughout most of the industrialised world. Economic and Monetary Union (EMU) within the EU, including the establishment of a single currency and the definition of a common monetary policy by the European Central Bank, has accelerated developments towards a single European market. Moreover, moves towards increasing deregulation

have further hastened such integration processes. Although various degrees of financial deregulation had previously taken place in different countries, regulatory barriers to cross-border activity remained widespread until recently. These included the need to attain permission from the host country's regulatory authority before starting to operate in their domestic market, exchange controls, and restrictions on the range of financial services that could be provided by the entering bank (Harris, 1999:213). The relaxation of these barriers, and, in the case of Europe, the unification of national regulations precipitated by the transposition of EU directives on banking into the Member States' legal systems,³ has increased the exposure of banking firms to other competitors, from both national and foreign markets. This has often implied a threat to profit margins and market share.

As a result, and with regard to banking organisations, various trends can be observed:

- A rapid restructuring process affecting the banking industry following increased competition within and across countries. This is mainly reflected in a significant growth in the number of mergers and acquisitions between banking firms, leading to higher concentration of the industry in each respective country.⁴ As an illustration, 49% of the turnover of the Spanish banking industry in 1998 was produced by five firms, and in Denmark only 2 firms were responsible for 58% of the total turnover (European Commission, 1998:12). Similarly in Portugal, the combined market share of the five biggest banks has climbed to 85%, the highest in Europe after Finland and Sweden, and on a par with the Netherlands (*Financial Times*, 3/2/03).

³ Steps towards the establishment of an EU single market in financial services have included the introduction of seven main banking directives, alongside changes in 12 existing banking directives, most of which have been largely implemented through national laws (Harris, 1999:213). Among them are the first banking coordination Directive (1977); the second banking coordination Directive (1989); the second Non-Life (Services) Directive (1990); the third non-life Directive (1991); and the third Life Directive (1994). For a more detail explanation of these, see Walker (1995).

- A juxtaposition of the activities traditionally carried out by other financial firms, altering conventional distribution channels. There has been a trend of firms expanding the range of their activities and new entrants to financial services provision. Examples include building societies and savings banks becoming banks with PLC status (Storey et al., 1999:131), banks conducting both retail and investment activities, and the blurring of the traditional divide between banking and insurance activities. In Portugal, for instance, the percentage of life insurance distributed through bank branches rose from 13% to 80% between 1991 and 1996 (European Commission, 1998:13). Competition is also emerging from new players in the form of major retail and manufacturing companies, and even football clubs, following the relaxation in regulations. Indeed, traditional banking activities, such as credit provision, are threatened by the services offered by mortgage firms, leasing companies or the stock market. This trend has stimulated responses from the banks themselves towards a greater diversification of the products and services on offer. Canals (1996:27) labels the creation of new products and services ‘financial innovation’, and notes that this new development has important implications, not only for the range of products offered by the banks, but also in terms their distribution channels,⁵ as stressed in the next point.
- A further transformation of traditional distribution channels. This is occurring due to the appearance of new forms of banking stimulated by advances in ICTs, as well as their more widespread use. These new ICTs include automatic cash machines

⁴ While throughout most of Europe such merger activity is occurring largely *within* individual countries, there are signs of cross-national mergers in certain regions such as Benelux and the Nordic countries.

⁵ By way of illustration, one way of coping with product diversification has been the creation of business divisions within banks, sometimes with legal independence. New ICTs have also intervened in the distribution of new products; for example with the expansion of ATMs and Internet banking, which have contributed to pronounced reductions of branch networks.

(ATMs), the electronic payment of bills, and the emergence of telephone and Internet banking.

- The functional separation of different activities. The most striking example of this is the creation of cheque processing and call centres specialised in certain operations. This is especially significant, and is currently extremely topical, because it is associated with both opportunities for outsourcing and the establishment of new off-shore operations.

In sum, the banking sectors of most EU countries have experienced a continuous wave of transformations over recent years, in terms of markets serviced, products offered, and methods of delivery. These have given rise to additional competitive pressures at both national and international level. Such important changes, and the rapid pace of developments, have been particularly important for the formulation of banks' business strategies, as there is a well-recognised need for successful organisations to quickly respond to the competitive environment in which they operate (Deakins and Mackay, 1995:158). In order to maintain and/or increase banks' competitive positions, Canals (1996:445) notes that the relaxation of legal barriers and the increasing interdependence of national financial markets have led to the increasing search for international markets.

2.2.2 The Extent of Internationalisation

The study of internationalisation has its origins in the internationalisation processes of industrial enterprises, where growth and size have traditionally been associated with increased competitiveness. In the banking sector, however, companies of a medium size and operating at national level may be among the most efficient (Crawford, 2000). In consequence, there are indeed significant differences between the internationalisation of

banking, and that of enterprises belonging to other sectors of the economy. One reason for this is the characteristics, such as intangibility and heterogeneity, which define their services. A further reason is the diversity found within parts of the banking industry itself, each with different degrees of pressure to internationalise. Investment banking, for example, has a relatively long internationalisation history, following the initial liberalization of capital movements and globalisation of international financial markets. Likewise, corporate banking responded early to the increase in the number of MNCs which had become global themselves and were demanding an integrated service from their banks across national borders.⁶ Retail banking on the other hand has until recently remained largely a national business.⁷ However, initial movements towards internationalisation in retail are now taking place, either through cross-border mergers and acquisitions or through the establishment of subsidiaries in foreign countries.⁸ Although in most cases at early stages of development, there are increasing examples of banks taking elements of their national practices when they operate abroad, or even of the emergence of uniform corporate policies, implemented across large parts of the group, both nationally and internationally. For example, in the case of the Spanish bank BBVA, its international expansion has been accompanied by the 'implementation of the BBVA management model', defined by, among other things, common principles in performance evaluation, remuneration systems and training (BBVA, 2000).

⁶ For example, Gruzin and Davidow (2000:29) note that "in the period 1993-96 the proportion of revenues derived from foreign markets among the top 100 transnational companies increased by 20 per cent" and that, today, almost one third of the world's largest financial services companies have operations in three or more continents.

⁷ Competitive environments have traditionally varied between countries, providing structural barriers to foreign entry. Economies of scale are an important incentive for internationalisation, and while clear economies exist in areas such as corporate finance, treasury and foreign exchange, it has been claimed that there are few clear economies in merging retail banking operations across countries, partly due to the structural differences in national markets. See C. Harry, 'Consolidation Route is unclear: Banking Restructuring in Europe', *Financial Times*, September 24th, and J. Willman, 'Friends in Other Places', *Financial Times*, November 22nd 2000.

⁸ See J. Willman, 'Freeze or Jump? That is the Question', Banking in Europe, *Financial Times*, May 26th 2000.

When considering the extent of internationalisation, also significant are the type of financial system and the regulation that characterises each home country, since these are likely to condition to a greater or lesser extent the strategic moves of the banking groups. In this sense, there are distinct differences in the internationalisation processes of European and American banks. Two discrete ways in which financial activities are organised in the industrialised world can be distinguished. On the one hand is the market-oriented capitalist system found in the US and also the UK, where firms are mostly financed directly through their operations in the stock market. On the other hand, the model in most other Western European countries, and in Japan, is for banks to play an important direct role in managing firms' financial needs over the longer-term, often including an ownership stake. Within this second model there are also variations; in Spain, for example, there is a stronger relationship between the public sector and the banks, whereas in Germany and Japan the tendency is towards strong links between the banks and non-financial enterprises such as commercial firms.

These two financial systems are polar models, and in reality there are variations between the two extremes. Moreover, the models themselves are not static, and recent developments have demonstrated increasing parallels between the two. Indeed, Canals (1996:190) maintains that an increasing number of countries in the industrialised world are evolving towards a financial system that combines advanced capital markets with major banks offering more extensive and sophisticated products. Recent legislative developments in the US, for example, have ended the traditional separation between the activities of investment banks and those of retail banks, imposed by the Glass-Steagall Act in 1933 (Santomero, 1990). Legislation in Europe, particularly the Second Banking Coordination Directive (89/646/EEC), has also reinforced the principle of universal banking by extending the range of business activities allowed for by credit institutions.

Although universal banks present obvious advantages deriving from a large and relatively stable customer base, they also present problems, mainly related to the increased risk involved in their large number and range of operations. In addition, at the organisational level there is the problem of complex coordination of their different activities, which might present very different characteristics. This might help explain, for example, why the main British banks did not try to offer universal banking services in their attempt to expand to other European markets during the 1990s, and chose instead to specialise in market segments such as medium-size corporate clients that can be serviced through a limited number of branches (Dixon, 1991; Burns, 1997).

The extent to which a bank decides to internationalise its operations will be strongly influenced by the rationale behind the desire to internationalise. It has been suggested that there are an increasing number of banks that are European in both size and orientation (European Commission, 1998:11). However there is variation within this. There is scope, for example, while having operations throughout Europe, for firms to maintain the core of their business at the national domestic level; for example Banco Popular in Spain. There are also a significant number of banks that, despite maintaining their major business operations within their country of origin, are positively expanding into foreign markets, mainly within Europe. Examples of this second type include La Caixa Group in Spain, Lloyds TSB, or Barclays Group. Finally, there are those banks, generally of a larger size, which besides having a leading role in their domestic market, already have a significant proportion of their business revenue (and often workforce) in foreign countries. This is the case for example of the two largest Spanish banking groups, BBVA and BSCH, which have important percentages of their assets in countries other than Spain (mainly in Latin America), a figure that rises to more than 40% in the case of commercial banking activities (Sanchez Peinado, 2000). In the case of the

British HSBC Group, a broader 'global' orientation can be observed, with a major presence in the Asia-Pacific region and Western Europe, but operations also in America, the Middle East and Africa.⁹

Generally it can be said that increasing concentration and consolidation within national boundaries is propitiating internationalisation. The banks' international expansion is happening towards different geographical regions depending on the companies' history and strategic choices, and it is resulting in an increasing number of banks operating in a variety of different countries. As discussed later in this Chapter, this does not always mean their business is truly international, but may be geographically segmented.

2.2.3 Specific Strategies for Internationalisation

When it comes to the actual process of internationalisation, Canals (1996:322) has distinguished between three types of strategies followed by banking firms in recent history. Some banks have opted for the development of their own network of branches in the foreign country/ies in which they operate. A perhaps more popular strategy has been the acquisition of foreign banks, an example of which is Barclays Bank's recent acquisition of Banco Zaragozano (*Financial Times*, 9/5/03). An alternative to direct acquisition is merger, as in the example of the Franco-Belgian bank Dexia, one of the few truly cross-border European financial institutions (Minder, 2001). Finally, a third strategy is partial acquisition through financial participation, often within the framework of an alliance or some other arrangement for cooperation. This is by far the most widespread strategy when referring to European markets, examples of which are the cross-share holdings of the Spanish BSCH with Société Generale, Commerzbank and San Paolo-IMI, or that of BBVA with the Italian Banca Nazionale del Lavoro.

⁹ Although it has an advantageous position in Europe, with 37,6% of its overall revenue, HSBC continues expanding in the Asia/Pacific and other locations worldwide. See *The Banker*, September 2000, p.20.

Each of these strategies presents both advantages and disadvantages, and selection depends on a number of factors, varying from the size and resources of the bank, to the characteristics of the market to be entered, to the nature of the bank's businesses. Internationalising through development of a bank's own set of branches is an attractive option from the perspective of establishing close relationships with clients, and initiating practices based on the bank's principles and strategy in its current country of operation. It also avoids the coordination problems of expansion by merger or acquisition. For retail banks in particular, however, such a strategy is costly. This is especially so in the European context, where national markets are often characterised by large branch networks. Expansion through merger and/or acquisition is an alternative that, despite complexity from an organisational and cultural point of view, has been popular in the last decade or so. This has resulted in considerable consolidation in banking sectors around the world; to a larger extent in the US, but also among European banks. Merging with or acquiring a foreign bank can solve to a large extent the problem of high costs associated with the organic international expansion of, in particular, retail banks. Mergers and acquisitions pose alternative problems, however, in terms of organisational complexity and tensions from forging together two previously separate and different companies. Indeed, the Benelux and Nordic countries are the only regions within Western Europe where cross-border bank mergers appear to have had good results, and this is due mainly to the affinity of the countries within those regions in terms of culture, language and history (Robinson, 2000). An attractive option for retail banks, then, is often the third strategy. This fulfils the goal of a presence in new markets without the costs of branch expansion or the organisational complexity involved in a *full* merger. Participation through part-ownership and alliances, however, has the disadvantage of potentially not fully realising the benefits of an international presence inherent in the alternative strategies.

This Section has introduced some key developments regarding the internationalisation and diversification strategies of banks, in particular as a response to globalisation and deregulation trends in financial systems. Deregulation and European integration have lead to restructuring processes and consolidation of the industry within national boundaries, which has subsequently facilitated international expansion - tighter competition policy accompanying domestic consolidation has meant smaller scope for future domestic mergers. This trend can be seen in recent cross-border mergers, and as a result the number of multi-country or international banks has notably increased, even if their business is not always wholly international.

The internationalisation of banks shows commonalties with parallel processes in other sectors in the economy. However there are also marked differences, mainly derived from the peculiarities of the sector and the products offered. Whereas wholesale and commercial banking have a pronounced international character, retail banking tends to present a more geographically limited scope of operation. It is common for corporate and investment banking activities to be carried out worldwide, yet retail operations are often confined to a national territory. However, this appears to be changing, and the scope for internationalisation of retail operations is broadening, certainly to incorporate foreign regions that are geographically close or with cultural and/or historical links. The Spanish bank BBVA and to lesser extent BSCH, for example, are increasingly coordinating their retail operations across the Iberian Peninsula and many Latin American countries. Moreover, the strategy followed by Deutsche Bank in the 1980s and 1990s involved the establishment both of worldwide investment banking services and of retail activities at European level.

Although internationalisation of the retail banking industry in institutional terms is still claimed to be in its early stages, in subsequent Sections of this Chapter discussion will focus on other processes at work, such as work organisation, corporate policies and technological developments, which are arguably promoting converging practices across countries.

2.3 THE NATURE OF INTERNATIONALISATION: STRUCTURE AND DECISION-MAKING

2.3.1 The Choice of Corporate and Decision-Making Structures

As seen in the previous Section an important factor behind the restructuring of banking firms has been the choice between specialisation and diversification of activities, at national and/or international level. From this, implications are derived for the organisation of work and the company's general structure. As Purcell and Ahlstrand (1994:21) note, “the more diversified the enterprise the more likely it is that the internal operating procedures will change and a form of multidivisional structure will be adopted”. The basic idea behind this type of organisation is “a structure based on quasi-autonomous divisions or even wholly owned operating firms, organized on either a product or a geographical basis”(Ibid:15). While the drive towards a multidivisional type of organisation is not universal, statistics nevertheless show that the number of multidivisional companies has increased considerably over the past century, and its popularity is likely to continue (Ibid: 21). Moreover, following the tendency towards decentralisation into quasi-autonomous units in firms belonging to other sectors of the economy (Fligstein, 1985; Franco, 1974; Marginson, 1992), the development of these organisational forms, which originated in the USA and UK (Maycock, 1986), has certainly been the trend in financial organisations over the last quarter of a century.

Hill and Pickering (1996:48) maintain that in reality “there is a great variety of structures and decision procedures within the broad multidivisional structure”, and maintain that divisions themselves are often complex and diffuse organisations. Although it can be argued that divisional organisations are decentralised, variations can be expected with respect to the degree of decentralisation. Birkinshaw (2000) describes four types of structures behind international companies; international division, global product division, area division and global matrix.¹⁰ In reality, firms may combine elements of Birkinshaw’s organisational forms, having their own specific structure for organising their operations across international markets, with some divisions established on a product basis and others on a territorial basis. The seminal work of Porter (1986) and Barlett and Ghoshal (1998) provide alternative categorisations of MNCs according to their organisational structure, which as Table 1.1 shows can be related to Birkinshaw’s typology.

Table 2.1. MNCs according to their Organisational Structure: Typologies

Author	Type of MNC			
	International Division	Global Product Division	Area Division	Global Matrix
Birkinshaw (2000)	International Division	Global Product Division	Area Division	Global Matrix
Barlett & Ghoshal (1998)	International	Global	Multinational	Transnational
Porter (1986)		Global	Multidomestic	Mix of global and multidomestic

In whatever form, a crucial issue in managing these complex organisations is the relationship between HQ and the units, and among the units themselves (Quintanilla, 1998). In examining the nature of the former relationships, various factors have been

¹⁰ International division refers to companies whose structure is organized in product units under the HQ, with an additional international division in charge of the distribution of the products to all foreign markets. In those companies organised under a global product division, each product unit under HQ would be responsible for a different geographical area. Area division is where under HQ the operations are organized by area, with separate product divisions falling under the area units. Finally, a global matrix structure would be a mixed approach which aims at achieving global integration and differentiated responses for the various geographical areas under which the company operates, by creating a network of managers responsible for each geographical area and each different product line (Birkinshaw, 2000).

analysed. These include external factors, such as contextual circumstances like the local institutional environment (Nohria and Ghoshal, 1997), and internal factors, such as the size and scope of operations of different business units and the role exerted by central management, including their control and coordination mechanisms (Welge, 1981). The nature of corporate control at subsidiary/division level has important implications for how decision-making is allocated between the different units of the company, both between the HQ and divisions, and among divisions themselves.

Lamers (1998:33) distinguishes four main levels at which decisions are made in international groups: central group level; the level of the national holding; the international business unit; and at the level of corporate offices such as the directors of the different departments. The fact that there are different structures associated with internationalisation implies scope for different levels of decision-making, although it is acknowledged that the concept of absolute 'responsibility' is one difficult to define because of the variety of people and levels that might intervene in decision-making processes. In this sense, Birkinshaw's four structures can be associated with Lamers' corresponding levels of decision-making. For example, in companies structured along 'international divisions', decisions are likely to be taken at the level of the international business unit. In companies structured as 'global product divisions', decisions are likely to be taken at international business division level. In companies organized by 'area division', where separate product divisions fall under different area units, decision-making is likely to rest partly at the level of the different corporate offices and partly with the national holdings. Lastly, for companies structured along 'global matrix structures', responsibility on decision-making is likely to rest both at the level of the national holding and the international product divisions with overall guidance from HQ. Nevertheless, both Lamers' levels of decision-making and Birkinshaw's typologies can

be seen to vary within groups, and other intermediate levels can be found; for example an international level under the central group level, or a European level under either the international level or the central group level.

Within the global-multidomestic debate around MNCs' structure and organisation, one stream argues that the current pressures of operating in a global environment are leading MNCs to develop globally uniform organisation structures. This however has been opposed by a number of authors who have questioned the genuine integration of some MNC's operations across borders as opposed to an extension of their national capabilities (Hirst and Thompson, 1996; Ruigrok and Van Tulder, 1995; Dicken, 1998). A third viewpoint, however, has emerged in recent years introducing the concept of 'regional' integration. Government regulation and cultural differences are increasingly dividing the world into supra-national defined regional trading blocks, a phenomenon which is particularly strong in Europe, with the EU being the regional block with the highest degree of economic integration (Berndt, 2001:23). In consequence, the importance of a regional strategy and organisation building has been increasingly recognised (Morrison et al., 1991; De Koning et al., 1997). Pressures to achieve integration across their international operations are likely to be higher, therefore, in those companies organised around global and regional product divisions.

It has been implicitly assumed in much of the literature that the primary regional focus of MNCs is their own home region, i.e. Europe for European MNCs. However, little attention has been paid to the circumstance where the primary geographical focus of a European MNC is not Europe, or where 'Euro-centres' (Ferner and Edwards, 1995) have not emerged within non-European MNCs. In this case the implications of organisational building, integration and decision-making may differ.

Strategic choices in company structures are likely to have important implications for management processes and decision-making within the company (Bartlett and Ghoshal, 1998). In the words of Hendry (1996:485), “structural solutions are not sufficient, but require a new management mentality”. These processes are in turn likely to influence the degree of centralisation/decentralisation between HQ and subsidiaries in the different areas of the business. In this study, the area of particular interest is that of the management of the workforce. In the context of internationalisation, a key question relates to the way in which firms sustain their overseas operations from an HR point of view, and the extent to which management of the workforce is also internationalised or remains mainly a matter of subsidiary management discretion. In the next Section this issue is further explored in the specific context of the changes taking place in banking organisations.

2.3.2 Implications of Business Strategy and Structure for the Management of HR

As already suggested in Section 2.3.1, firms vary in the degree of autonomy conferred from central HQ to business units, divisions and subsidiaries. Indeed, the large research project on divisional companies conducted by Purcell and Ahlstrand (1994) revealed distinct differences in the control systems and degree of centralisation in the companies studied. The degree of autonomy among the different units of the firm might be conditioned by the nature of the industry in which the firm operates (inter-industry differences), by the nature of the company itself (intra-industry), or within companies by the nature and activities of the business units themselves (intra-firm). For example, contextual factors from the competitive environment in which the firm operates, such as the nature of the industry or the local institutional environment, shape the degree of autonomy among the different units of the firm (Nohria and Ghoshal, 1997). As regards to intra-industry differences, Beechler et al. (1993) showed that the likelihood of

achieving internal fit between business strategy and HR strategy varies according to different companies and sub-industries. For example, those internationalised firms with a strategy centred on cost leadership within an industry affected by global competition will be more interested in maintaining internal HR consistence across borders than those based on product differentiation and where the nature of competition is 'multidomestic' (Porter, 1986). This question of 'fit' might therefore differ between the distinct parts of the banking industry, which present very different industry features and, often, degrees of internationalisation. As a result, different levels of HR integration are likely to be expected in the different banking businesses such as retail, commercial or corporate banking. Furthermore, in line with the variety of business structures and associated levels of decision-making, factors such as the size and scope of the business units, the structure of international operations, the international orientation of HQ, and the role exerted by central management, are likely to place differing levels of pressure on corporate functions to maintain policies that are consistent with the general strategy and operational structure of the group (Harris and Brewster, 1999:3). With regards to intra-firm differences, overseas subsidiaries and divisions within a given firm might differ in the extent to which they conform to parent or local pressures according the degree of local embeddedness of the subsidy itself, the nature of the business, or the type and frequency of information flows between the HQ and the subsidiary/division (Rosenzweig and Singh, 1991).

In this Section I shall address a main theme within the literature regarding the extent and forms of dissemination of HR and employment practices across borders within MNCs. A recurring debate discusses the dual pressures for *local adaptation* and *internal consistency* affecting management practices. According to the first, management perceptions of the world and their way of managing and organising are significantly influenced by the particular culture and society (Hosftede, 1991), which diminishes the

importance of universal principles (Hickson, 1993). The latter, on the other hand, argues for a more dynamic transition from national models of HRM towards the increasing use of cross-national forms of coordination through, for example, the emergence of international HRM across the firm (Ohmae, 1989; 1990). The balance between the creation of an effective domestic organisation and international HR policies across the entire organisation is a complex issue. As noted in the previous Section, the nature of this balance varies across firms and within firms across their different divisions, depending on endogenous and exogenous factors. Furthermore, different HR policies may be shaped by the interaction of conflicting pressures for internal corporate consistence and isomorphism with the local institutional and socio-economic environment to different degrees. Those practices, for example, that might have to comply with local regulations and institutions are more likely to resemble local practices. As Evans and Lorange (1989) claim, it is common that companies develop a dual HRM policy, with the centralisation in HQ of HR issues regarding top management positions, and the decentralisation to national subsidiaries of issues regarding the management of the general workforce. For this reason, the majority of the studies in the area of international HRM have focused on management transfers and expatriation, including issues of executive compensation and training (Brewster, 1991; Dowling et al., 1994; Harris and Brewster, 1999). The study of HRM for non-managerial employees remains more underdeveloped.

There are, however, increasing pressures for the international homogenisation of certain elements of HRM for non-managerial employees. More sophisticated forms of management organisation in the form of international business divisions or global/regional management structures (including personnel management structures at the international level) have resulted in a growing number of MNCs having the

capability to implement common transnational policies and practices (Coller and Marginson, 1998). For this study, corporate harmonisation of general HR policies, affecting the majority of the workforce, are equally if not more important. Firstly, they reflect to a larger extent management interest towards the establishment of common HR practices across the organisation, and secondly they are more likely to be covered by collective employee information and consultation processes.

A number of studies have focused on identifying the forces influencing the way that labour is managed within MNCs (Edwards, 1998; Edwards and Ferner, 2000). Although in-depth analysis of this issue is beyond the scope of this thesis, it is interesting to explore the ways in which integration of employment and HR issues might be pursued cross-nationally within MNCs. There is variety in the type of transnational policies and practices used by the different MNCs. In some cases, integration has been achieved through the implementation of explicit common personnel policies on a number of areas such as performance-related pay and employee development related policies (Marginson and Sisson, 1996). This kind of development is far from widespread, however, and more likely to be put into practice in sectors where the pressures to achieve international integration are stronger, such as automotive or electronic firms with plants closely coordinated. Similarly it can be expected for explicit common personnel policies to be more prominent in certain parts of the banking sector, such as wholesale and commercial banking, where businesses and markets are more integrated internationally, and less so in retail banking businesses. Given the difficulties inherent in the explicit harmonisation of HR policies across countries, a more common alternative among MNCs has been the use of less explicit methods (Ferner and Edwards, 1995), or 'unobtrusive' control (Coller, 1996), where central HQ intends to shape the decisions made at division or subsidiary level by controlling issues underlying decision-

making. Among these less direct methods, common is the diffusion of 'best practice' and use of benchmarking across units/subsidiaries by international management, in particular in manufacturing sectors (Martinez Lucio and Weston, 1994; Mueller and Purcell, 1992; Martin and Beaumont, 1998). Similarly, increased technology is fuelling greater management control, and therefore potential coordination through international computer information networks, also making possible regular collection of data on employment indicators at business division, national or international level (Margison et al., 1995). This on occasion has been used to measure performance on a number of aspects as a means of exerting coercive comparisons across sites, to which decisions regarding management development, control or investment allocation are linked (Martinez Lucio and Weston, 1994; Frenkel, 1994).

Another important issue when examining the extent of internationalisation and coordination in the HR area is the nature of corporate control (Egelhoff, 1988). Corporate control embraces all of the mechanisms put in place by the firm to coordinate the operations and decisions within and across the different units to ultimately attain coherence within the enterprise. Bartlett and Ghoshal (1998) suggest that within what they term 'transnational' companies, a combination of three types of coordination mechanisms are needed to operate; centralisation, formalisation and socialisation mechanisms. Harzing (1999) makes a similar distinction in her comprehensive study of control mechanisms in 'multinational' firms more widely defined. She refers to 'personalised central control', 'bureaucratic formalised control' and 'control by socialisation and networks', with an additional category of 'output control'. This latter category refers to control mechanisms which focus on the realisation of outputs rather than behaviour. A distinctive characteristic of output control mechanisms is that instead of focusing on a specific pattern of action, there are certain goals, results or targets

which are specified and need to be achieved by the employees (e.g. financial controls). Centralisation (the accumulation of decision-making in top management positions) and formalisation (the institutionalisation of systems and procedures across the company to ensure increased homogeneity) have been briefly touched upon in the above discussion. The third mechanism, socialisation involves a process of harmonisation of company values and principles to influence management choices and behaviour, corresponding to what Martinez and Jarillo (1989) refer to as 'informal and subtle' mechanisms for control. Such mechanisms would include, for example, the development of international personnel management networks, with activities for instance around regular meetings of HR/IR managers across sites (Edwards, 1998:700), or adequate recruitment and development of managers (Ferner and Edwards, 1995:240). Related is the concept of 'corporate culture', which attempts to create a set of common values and acting principles so that exchange relations can take place coherently within the organisation. Activities that can contribute to the process of acculturation within MNCs include, for example, programmes for the international transfer of managers.

The extent to which HR policy and practice is coordinated both at domestic level and across national borders, in particular within specific product divisions, is a sign of whether the institutional internationalisation in terms of business ownership is followed by organisational and actual internationalisation of working practices. An important determinant of this is also the existence of commonalities in working methods and practices across countries (within specific sector-based labour markets) in the current context of organisational change embracing the banking sector in general.

2.4 ORGANISATIONAL CHANGE AND IMPLICATIONS FOR JOB CONTENT AND HR IN BANKING

Sections 2.2 and 2.3 of this Chapter have examined the impact that the radical restructuring of the banking sector in Europe has had for the banks' business strategies and organisational structures. This Section explores the implications for qualitative aspects of employment of technological innovations and changes in the institutional environment and market conditions. A number of effects can be identified:

- *Decrease in the number of administrative jobs.* The automation of many of the tasks previously carried out in the branches is causing a shift of work towards regional or national, even international, processing centres, as well as a widespread reduction in the number of bank branches and employees. Increasing workloads can now be processed in an automated form with fewer employees. Decreases in branch numbers can also be seen as part of a cost-reduction strategy in response to increased competitive pressures (Storey et al., 1999) alongside post-merger or acquisition rationalisation. New ICTs are likewise contributing to the change in the role of the traditional branch, enabling the automatisisation of operations and the introduction of new delivery channels such as ATMs, telephone banking and Internet banking. An increasing number of the remaining branches are experiencing a re-focus in the nature of their activities. In particular, increased emphasis on selling activities, with movement from a 'transaction-based' organisational model towards a 'sales and service' orientation (Baethge et al., 1999:10), is resulting in a reduction in clerical positions in favour of more commercial type jobs.
- *Changes in employee career structure and progression.* In the past the branch system was the basis for employees' career structures and progression within the firm, which was typically achieved through seniority and years of service. This is no

longer the case in a large number of banking organisations, where the changing role of branches, marked dualisation of employment and separate recruitment policies for each group, and the introduction of performance management techniques, are all leading to segmented patterns in career progression. Seniority is no longer the main factor on which progress is based, and whereas graduates entering the firm would normally be given a career path, this would not usually be the case for clerical workers. Similarly, automatic pay increases are no longer the norm, and payment is now based on contingent performance, profit-related pay or other new appraisal systems (Storey, 1999:135).

- *Variations in Working Time.* Longer opening hours, increased competition and workload, and the establishment of 24-hour call centres have altered the traditional working times in the banking sector. Employees are now required to be more flexible, and long working hours are common in the banking sector. This is true both in retail and investment banking, where the nature and inter-relation of financial markets, as well as servicing customers in different parts of the world, increases the importance of longer 'opening' hours.
- *Decline in job security and changing patterns of recruitment.* As a consequence of the above trends, the pattern of recruitment is also undergoing significant transformation, again becoming increasingly segmented (Regini et al., 1999). At one extreme lies full-time, specialised, skilled and highly-paid jobs, mainly directed towards graduates, and at the other lie lower paid jobs, often on a part-time or temporary basis.

- *Performance-Based Payment Systems.* A shift from fixed pay with seniority-based increments to the widespread use of contingent remuneration systems based on performance-related pay has been the trend generally across the sector, with the aim of increasing motivation and productivity (Lawlor and Serrano del Rosal, 1999:150).

Such changes in work organisation and the nature of jobs themselves reflect the current issues which HR/IR departments have to confront in a large number of banking firms. One question that arises is whether these developments are simultaneously affecting particular countries within Europe. This aspect is in turn explored with specific reference to the cases of the UK and Spanish banking sectors.

2.4.1 International Convergence in Working Practices?

There has indeed been considerable debate in recent literature on whether the economic, technological and structural pressures affecting the banking industry in each respective European country, and in particular the resulting effects on employment and employment relations, are leading towards convergence across borders, or whether national distinctiveness tends to remain. Regini et al.'s (1999) extensive cross-national study on the banking sector of 11 industrialised countries in Europe, North America, Asia, Australia and New Zealand, suggests similar effects in all of the countries resulting from the widespread deregulation of the industry. These include increased competition, cost-minimization strategies and business diversification, higher levels of concentration in the industry and a general decrease in employment. Such developments are consistent with technology-driven theories, also called 'neo-contingency' theories (Köhler and Wordward, 1997). In this approach, the market relations that tie factors such as products, markets, technology and organisational structures lie behind trends operating across countries. This helps to explain the convergence in work organisation

and employment relations found in individual companies across countries, as a result of choices in their business strategies with regards, for example, the company's size or market position. However, Regini et al.'s (1990) study also highlights diversity across the different countries in their HR and IR responses, partly because of the different institutional settings present in each country. This finding is in line with the theoretical approach that stresses the importance of institutions and social structures, such as educational or IR systems, in explaining the differences found in working systems and organisational structures across countries (Whitley, 1992; Smith and Meiksins, 1995).

These two approaches are by no means exclusive, and might indeed coexist in explaining convergence and divergence trends across countries. Köhler and Woodard's (1997) comparative study, conducted in the manufacturing industry of four countries, suggests, for example, that while the institutional and social framework affects higher level factors such as the structure of the industry, the neo-contingency theories emphasizing convergence based on common technological and market developments are more likely to be influential at company and plant level.

In the cases of the UK and Spain, the comparative aspect - in terms of the implications of current changes in banking for the HR policies within firms - is instructive. These countries represent two very different institutional frameworks and IR traditions, which are expected to influence the actions and policies adopted by management. Whereas Britain is characterized by a "voluntarist" approach to IR (Edwards et al., 1998) and dismantled sector-level collective bargaining in the banking sector more than a decade ago, Spain has a more institutionalised framework, with multi-employer collective bargaining in place, and legal support for trade unions organisations (Ortiz, 1999). Furthermore, the UK and Spain are representatives of the two distinct model-types of

financial systems introduced earlier; the Anglo-Saxon model based on the relevance of the financial markets, and the 'continental' model based on stronger relations between banks and industry. The different traditions in each of these models could also be expected to shape developments in employment practices. The following comparison across the two countries, with reference to the trends identified above, reveals points of both similarity and difference.

- *Decrease in the number of administrative jobs.* There has been a general reduction in total employment in both the UK and the Spanish banking sectors. In the UK, employment in retail banking has dropped from 456,782 employees in 1990 to 386,757 in 2000 (Andersen, 1997:114). In Spain, employment levels in the industry have followed a downward trend from 252,607 in 1990 to 240,345 in 2000 (La Caixa, 2001b). Spain's downward trend (-4,9%) appears to be less pronounced than that in the UK (-15,3%), something that might be explained by stronger legal protection against dismissals. Indeed, most redundancies take the form of voluntary redundancies and pre-retirement schemes. Falls in employment have been accompanied by branch restructuring in both countries, resulting in more aggressive marketing policies and a change of orientation from administrative to a more commercial type of function, and falling figures in the number of employees per branch. Between 1990 and 1995, the number of employees per branch dropped from 32.2 to 30.6 in the UK, and from 9.4 to 8.2 in Spain (Lawlor and Serrano del Rosal, 1999:149). Subcontracting some bank activities – in particular administrative functions or IT - appears to be another strategy employed in both Spanish and UK banks in order to balance the less administrative role of their branches.
- *Changes in employee career structure and progression.* Gender segmentation predominates at higher levels of the career structure, that is in terms of managerial

promotion. A more marked segmentation trend, however, is that between recruitment of clerical staff for more routine tasks in processing or call centres, and graduates for more specialised commercial or managerial jobs. This task differentiation is extended to skill formation and training programs, which have raised concerns in UK banking about an increasing divide between career and non-career staff (Baethge et al., 1999). In Spanish banks career segmentation seems to be more pronounced in the larger banks, and not so much in smaller and less traditional banks, where more versatile employees often share administrative and commercial tasks, in particular when workload increases and as branch employment falls (Migueluez et al., 1999).

- *Variations in Working Time.* In some European countries, such as Spain or Germany, working time is regulated and established through collective bargaining at industry level, whereas in others arrangements tend to be more individualised. In reality the situation is not so clear cut, and even within those countries where collective agreements exists, the use of unpaid overtime is widespread, in particular among middle-ranking and higher level employees often subjected to new payment methods based on contingent compensation (for example, performance-related pay). In Spain for instance, extra-time and its association with higher commitment are a means of exerting pressure on employees with a view on the extension of temporary contracts, the conversion of temporary into more permanent employees, or even future promotions. The fact that middle-ranking and higher level employees are more affected by overtime pressure is important because of the trend towards an increasing proportion of high-skilled employees in relation to the total number of

employees. Directors and specialists accounted in 1996 for more than 50% of the total workforce in the Spanish banking sector (Miguelé, et al., 1999:238).¹¹

- *Decline in job security and changing patterns of recruitment.* The transition in the last 20 years or so from a traditionally 'job-for life' industry to high levels of turnover is one of the most striking features of the banking sector of most industrialised countries. Cost-minimization strategies have led to rationalization and extensive reduction in employment levels, an important part of total costs. Although job losses have been widespread in both the UK and Spain, in the latter case the transition has been smoother and less dramatic. A key reason behind this is the role of trade unions in Spain, which enjoy legal backing. Agreements have been reached with management to structure redundancies in a less dramatic way, for example emphasizing early retirement schemes rather than involuntary redundancies (Bermejo Parra, 1999). Similar situations have been reported in other European countries where unions have traditionally played a more institutionalised role in employment relations, such as France, Italy or Germany, where redundancy payments tend to fall under the discretion of specific arrangements and legislation (Baethge, et al., 1999). Nevertheless, the processes in both the UK and Spain present clear similarities in terms of the issues presented.

Extensive rationalization processes are also associated with lower levels of recruitment, with new hiring particularly directed to young people, who have higher training. In Spain, new recruitment has been reported to be higher in banks pursuing expansion strategies as opposed to traditional banks of larger size (Miguelé, et.

¹¹ Furthermore, there have been signs of firms moving the more standardised activities performed by low paid/skilled employees (e.g. in processing centres) to other countries with lower labour costs. This is the case of HSBC, which has recently moved back-office activities previously undertaken at the bank branches to centres in East Asia (Sisson and Marginson, 2000:63).

al.,1999:230), which shows the presence of divergence within, as well as across, countries. The use of part-time employment as an adjusting mechanism in recruitment needs has gained popularity in countries like the UK where employment legislation is more relaxed. Thornley et al. (1997:93) report significant increases of part-timers, often employed on short-term and casual basis in UK bank's processing and telephone centres. Although the proportion of part-time employment is generally lower in countries with 'tighter' regulations and IR systems - in countries such as Spain, France and Italy it represents a minimal part of total employment in the sector - differences seem to lessen in terms of the activities carried out by bank employees hired under part-time contracts (Andersen, 1997). The association between female employees and lower paid/part-time work is another pattern identified in both the UK (Baethge et al., 1999:143) and Spain (Carrasquer et al., 1996). Finally, another source of flexibility has been the widespread use of temporary and agency workers. Although exact figures tend to be scarce, this phenomenon has been on the increase generally across Europe, but perhaps more dramatically in countries like Spain, as a counter to the greater statutory protection against dismissal of full-time staff (Miguelez et al., 1999).

- *Performance-Based Payment Systems.* Companies in both less-regulated countries like the UK (Gall, 1997) and those with more legal provisions such as Spain, are increasingly moving away from national and homogeneous pay rates and systems. Despite the existence of sector collective agreements - increasingly turning into framework accords - in the Spanish banking sector, banks of a larger size, and therefore more likely to have operations in foreign markets, are establishing their own company agreements, with sector collective bargaining affecting mostly smaller banks (Sisson and Marginson, 2000).

The above analysis suggests caution in accepting arguments based on international differences in workplace practices and HR policies related to distinct national institutional and social frameworks. There are two main reasons behind this thinking. Firstly, national IR systems are under similar processes of transformation, in which despite different degrees of trade union strength and traditions in each state, outcomes show a degree of convergence. Thornley et al. (1997), for example, argue that despite differences in trade union organisation in the UK and French banking sectors, trade unionists' perceptions of current restructuring processes and IR/HR changes coincide to a considerable extent. Moreover, there is increasing harmonisation of working practices and experiences in both countries. Secondly, the business strategies of the individual banking groups play an important role in establishing patterns of convergence or divergence in HR matters, both within and across countries (Müller-Jentsch and Sperling, 1996:234).

As a result, it is suggested that the debate on convergence-divergence of working practices and HR policies in the banking sector might go beyond the cross-national dimension, and focus on diversity within countries and convergence across borders based on the singularities of individual firms (Katz and Darbishire, 2000). Authors accentuating convergence in employment matters across countries have stressed the effects of improved technology (Kerr, 1973), management culture and techniques specific to the particular sector (O'Neil, 1986), and deregulation (Dermine, 1990). However, as Andersen (1997) maintains, deregulation might also act as a factor of divergence - within countries and the industry itself - since it allows for greater discretion in the strategic choices as companies search for their competitive position in

the market.¹² This would help to explain the disparities found among banking firms within specific countries, at the same time as suggesting growing similarities in work organisation issues in banks in different countries.

From this review, a number of issues arise. Internationalisation in the banking sector can be appreciated in various dimensions. The extent to which institutional internationalisation of banking firms is pursued as a business and HR strategy will clearly vary according to the specific context. This includes both the external competitive environment in which the firms operate and structural issues to do with the structure and management policy of the banks themselves. Accordingly, and in relation to the banking sector, it is reasonable to expect greater cross-border coordination of HR in wholesale and commercial banking, where market competition is more global in scope, service provision more standardised internationally and companies' strategies and structures more integrated across borders. Nevertheless, the foregoing analysis has explored some of the main trends and developments in terms of work organisation, and has suggested a process of international isomorphism in banks in different countries. Even though internationalisation is not always explicit in retail banking, it is becoming implicit in the underlying processes of work organisation, which in turn coincides with - or facilitates- a growing tendency to institutional internationalisation in the form of organic growth or cross-border mergers and acquisitions.

Furthermore, combined with increasing pressures for international firms to achieve economic synergies, this is in some cases leading towards cross-national coordination to

¹² As an example, despite the general trend of a decreasing administrative role for branches in favour of regional/national processing centres, a bank might alternatively decide to maintain a higher proportion of processing work in branches as part of its business strategy. This will obviously have implications for HR issues such as job losses, recruitment, career progression and training. The Spanish group "La Caixa" (La Caixa-Annual Report, 2001a) is an example of a bank opting for the decentralisation of operational tasks as a means for quicker decision-making and a better service for individual customer needs.

varying degrees also within retail banking, with employment and HR issues increasingly subject to various transnational channels of management influence.

2.5 CONCLUSION

In summary, increased competition has strongly affected banking organisations throughout the industrialised world, and there is now greater diversity than ever before in the activities and markets in which banks decide to operate. Deregulation and technological advances have facilitated restructuring processes within national boundaries, with increasingly larger organisations dominating national markets. Within the context of growing European integration, this process of national consolidation has also facilitated the expansion of banking organisations into foreign countries. Consequently, the number of international banks with 'multi-country' operations has notably increased, even if their business activity, especially in retail banking, is not necessarily fully integrated internationally. That is, there remains a certain degree of continuity in organisational structure, decision-making and coordination that are bounded nationally. Moreover, it has been argued that the strategy, organisational structure of the groups and allocation of decision-making in various issues within this structure are important factors for the role and effectiveness of EWCs. 'Multi-country' banks, with more than 150 employees in at least two EU countries, are required to have EWCs. However, because of the nationally segmented operations of those banking groups, EWCs can potentially result in meaningless bodies with little scope for functional operation or even non-existent consequence of little interest on the part of management and employee representatives.

As for the implications for banks within the Spanish context, there might be cases where despite the majority of their operations and revenue originating from the national market,

the prospect of further European expansion might contribute to a meaningful use of a transnational device for information and consultation at European level. In the case of more internationalized banks the fact that outside Spain their interests are geared towards culturally bonded areas such as Latin America poses doubts on the relevance of EWCs, and indeed their appeal to both management and trade unions.

In the UK context, variations are also likely to be found. On the one hand are banks which have clear priorities in the national domestic market, and minimum foreign operations often concentrated in particular sites or countries (e.g. Ireland), or limited to offices of representation and alliances with foreign institutions. For these banks, information and consultation at a European level is likely to be secondary to national system concerns. On the other hand, for larger and more internationalised banking groups, interest in a supranational body of employee information and consultation at European level is likely to depend on the extent and level of coordination of their business and HR activity within Europe, and the existence of a European level as a distinct unit in the organisational structure. Within certain more homogeneous regions of Europe such as the Nordic countries, the chances are greater that banks will operate in a more coordinated way or even merge across countries, creating a series of sub-European levels of analysis. There is also a case that smaller European countries, such as the Netherlands, may have greater incentive to expand across European borders, and thus benefit from a supranational system of information and consultation, due to the limitations (e.g. in terms of size) of their domestic markets.

Within this context questions about the future of EWCs in banking arise. The emerging similarities in work organisation issues across national borders and within the international operations of 'multi-country' banks suggest a more promising future for

EWCs. Common work issues around, for example, working time, the emergence of telephone banking and call centres, career progression and back office processing suggest that the potential exists for employee representatives and management across Europe to engage in more meaningful information and consultation processes. Whether this is achieved or not will very much depend on company-based decisions around firm strategy (e.g. size, location and nature of international operations) and organisational and management structures (e.g. facilitating cross-border integration of policies and practices). It will also depend on how the agenda is set in terms of defining what is meant by 'transnational issues'; whether management pursue a narrow agenda, leaving few real issues beyond general performance, or decide that the EWC could be useful in for example disseminating HR practices internationally, and thus allow a wider remit. In turn, the setting of this agenda is also likely to be a function, to some extent, of the firm's history regarding, for example, mergers, management policy and internationalisation. In consequence, a need for further research around these issues following a firm-based approach arises.

Chapter 3

THE CONTEXT FOR THE DEVELOPMENT OF EWCs

3.1 INTRODUCTION

The EWC's Directive (EWCD) was approved by the EU Council of Ministers in 1994 under the terms of the Maastricht agreement on social policy. It is the culmination of two decades of attempts by the European Commission to regulate the area of transnational employee information and consultation at European level. With an increasing number of companies operating at an international scale, the EWCD aims to improve the information and consultation of employees about transnational matters (Art.1). It applies to companies, or groups of companies, that employ at least 1,000 people within the member states, and have an establishment or subsidiary with 150 employees or more in each of at least two countries of the European Economic Area.¹³ Latest figures show that over 1,800 MNCs are estimated to be covered by the EWCD, although only 639 MNCs actually have an EWC in place (Waddington and Kerckhofs, 2003:325).

The aim of this Chapter is to address the main debates in the literature regarding the establishment and impact of EWCs. The organization of the Chapter is as follows. First, the broad area of transnational employee information and consultation (background to the EWCD) is presented. Second, available literature on the factors promoting the

¹³ Created in 1992, the European Economic Area includes the 15 EU Member States (soon to be 25) plus Norway, Iceland and Liechtenstein.

establishment of EWCs is reviewed, followed by an analysis of the factors influencing the role played by EWCs. Third, the main arguments in the debate surrounding the impact of EWCs on the Europeanization of IR are summarised. An analytical framework based on the arguments presented in this Chapter is then proposed to underpin the investigation conducted in this thesis.

3.2 TRANSNATIONAL EMPLOYEE INFORMATION AND CONSULTATION

Early signs of transnational structures for employee cooperation emerged in the 1960s with bodies known as 'World Company Councils' within some MNCs. While these councils were never recognised by management (Schulten, 1996), more formal origins of informing employees at international level within MNCs can be traced to the 1970s. The 1976 OECD *Declaration on International Investment and Multinational Enterprises* includes guidelines on the provision of information to employee representatives on the performance of local subsidiaries or, where appropriate, the multinational as a whole (Gold and Hall, 1992:10). This initiative was reiterated in the 1977 ILO *Declaration of Principles concerning Multinational Enterprises and Social Policy* (Blanpain, 1986:17). These two initiatives formed the basis of EU legislation on employee information and consultation in MNCs (Hamilton, 1986). European information committees first appeared in the late 1980s in French owned MNCs, often closely linked to the socialist government, and based on voluntary agreements between central management and employee representatives (Gold and Hall, 1992). With the announcement of the first draft of the EWCD in 1990, the prospects of legal backing in this area meant that European trade unions tried to instigate the creation of EWCs. There was initially only limited success, however, due to strong opposition from the employer side (Schulten, 1996:312). At the time the EWCD was adopted - September 1994 - some 40 EWCs were estimated to be in existence (Hall et al., 1995), and it was

only after the passage of the EWCD in 1994 that the emergence of EWCs really gained impetus. The greatest impact was during the two year period until September 1996, during which some 450 Art.13 EWCs, based on 'voluntary agreements', were established (Platzer et al., 2001:90). From September 1996 until December 2002 the number of new agreements grew more slowly, with a further 300 new EWC agreements concluded under Art. 6 of the EWCD (Waddington and Kerckhofs, 2003).

According to the principle of subsidiarity, Art. 14 of the EWCD requires EU national members to adopt national legislation incorporating the provisions of the EWCD, with some leeway to implement the agreement according to the laws and traditions of each country (Hall, 1994; Müller and Platzer, 2003). In order to reduce divergence, a 'transposition working party' was created by the Commission, and a result has been national measures of implementation that display significant similarities. Nevertheless differences in the transposition can lead to variation in the establishment and functioning of the EWCs, most notably in the validity and interpretation of Art. 13 agreements, the size, composition and process of the Special Negotiating Bodies (SNBs),¹⁴ the content of Art.6 agreements, and subsidiary requirements (Eironline, 1997).

3.2.1 State of Play of EWCs

During the nine-year period since the adoption of the EWCD there has been a steady increase in the number of EWCs established, with a total of 739 EWCs in 639 MNCs by the end of 2002 (Kerckhofs, 2002).¹⁵ Nevertheless, when compared with the number of

¹⁴ After the two year transposition deadline, agreements have to be negotiated under the procedures set down by Articles 5 and 6 of the Directive, which require the formation of a SNB to negotiate the establishment of an information and consultation body. The setting up of the SNB can be triggered either by central management or by a transnational constituency of employees or employee representatives.

¹⁵ The difference between the number of MNCs with EWCs and the number of EWCs is accounted for by two or more EWCs being established for the different international divisions within a number of MNCs.

companies covered by the EWCD (1865 at the end of 2002), those companies which have set up an EWC are still in minority of 34% (*Ibid*: 33).

Compliance rates, in terms of the proportion of companies affected by the EWCD that have actually established an EWC, vary considerably according to *country of origin*. At the top end are companies of Norwegian and Belgian origin, which are the only ones within the EEA to have achieved compliance rates of greater than 50%. On the other hand, compliance is particularly low amongst those of Portuguese (0%), Spanish (5%), Irish (12%) and German origin (25%). The UK falls somewhere in between these two groupings, with 40% of companies covered by the EWCD having established an EWC (Kerckhofs, 2002:32).

According to *sector*, the higher compliance rates occur in public services, chemicals, and construction, where over 40% of companies covered by the EWCD have EWCs (Kerckhofs, 2002:38). At the other end, transport, textiles and services are the sectors with lowest compliance rates; 26%, 32% and 33% respectively (*Ibid*).

Table 3.1: EWCs Established According to Sector of Activity

Sector of Activity	2000		2002	
	No. companies covered by EWC	Companies that have installed EWCs	No. companies covered by EWC	Companies that have installed EWCs
Building & Woodwork	198	83 (42%)	208	88 (42%)
Chemicals	451	185 (41%)	451	199 (44%)
Food, Hotel Catering and Agriculture	225	78 (35%)	235	81 (34%)
Metal	649	226 (35%)	667	261 (39%)
Public Services	16	7 (43%)	13	6 (46%)
Services	785	267 (34%)	684	227 (33%)
Textiles	92	30 (33%)	98	31 (32%)
Transport	73	21 (29%)	79	21 (26%)
Other	134	47 (35%)	65	15 (23%)

Source: Kerckhofs (2000; 2002)

Size also appears to be a significant factor in determining compliance rates, with large

MNCs associated with higher compliance (Kerckhofs, 2002).¹⁶ For example, 66% of large MNCs affected by the EWCD have established an EWC, compared with 42% of medium-sized MNCs, and 23% of small MNCs (*Ibid*: 36).

Kerckhofs also suggests the *degree of internationalisation* as indicative of the degree of compliance with the EWCD. The higher the number of EEA countries in which the companies have operations, the higher is the rate of compliance; there is 62% compliance amongst companies with operations in ten or more EEA countries, as opposed to 14% and 22% in companies with operations in two and three EEA countries respectively (*Ibid*:41). The degree of internationalisation is even more significant when related to company size, with 85% compliance amongst large MNCs with operations in ten or more EEA countries, as opposed to 70% amongst medium-sized companies and 40% amongst small companies.

The importance of the degree of internationalisation of firms' activities within the EEA for the existence/non-existence of EWCs must be stressed, as it is precisely the degree of internationalisation within the EEA (as opposed to outside of the EEA) which seems to influence decision-making on the potential establishment of EWCs. Attention needs to be paid not only to the number of countries of operation but also to the nature of the operations in each country, that is whether or not they belong to the same sector or business. In relation to this last point, and as suggested in Chapter 2, when a company's operations across borders belong to the same line of business, it is more likely that there is a higher degree of international integration, which in turn is likely to positively influence the corporate management decision to establish an EWC.

¹⁶ Company size is defined by the author as small (<5,000 employees), medium (between 5,000 and 10,000 employees) and large (>10,000 employees) (Kerckhofs, 2002:36).

Similarly, the proportion of the EEA workforce concentrated in the country with the highest number of employees is also a significant factor. In those MNCs where less than half of the EEA workforce is concentrated in one country, 45% have an EWC. This compares with 26% in those MNCs where more than 70% of the workforce in the EEA is concentrated in one country (Kerckhofs, 2002:42). Again, when related with the company size, this factor appears to be more significant in large companies than in medium-sized and small companies (*Ibid.*:42).

It has been shown that a range of variables, including country of origin, sector, size, degree of internationalisation, and the concentration of employees account for the variation in the propensity of companies covered by the EWCD to establish EWCs. Nevertheless, further in-depth qualitative analysis is needed to look behind these factors associated with current trends, and obtain a more comprehensive understanding of the existence or non-existence of EWCs.

3.2.2 EWCs in the Financial Services Sector

To focus the analysis on the financial services sector, Table 3.2 shows a breakdown of financial services MNCs by country of origin. This is compiled for the financial services sector broadly, due to difficulties in confining the data to reflect only companies involved explicitly in banking activities. Nevertheless, it provides a useful summary of the current state of play in the broad sector of which banking is an important part.

As shown in Table 3.2, around 35% of financial services MNCs affected by the EWCD have established an EWC, a figure which shows alignment with that seen in the preceding section for companies within the broader 'services' sector (33%). However, Lecher (2001:70) documents that around half of the companies in the banking sector

falling within the scope of the EWCD had concluded ‘voluntary’ Art. 13 agreements by the 1996 transposition deadline. Perhaps even more significant is the high ratio of EWCs, and indeed Art. 13 EWCs, in UK-based financial services MNCs, a country not initially affected by the 1996 deadline. This is likely to be a reflection of the high level of internationalisation of the UK-based companies as compared, for example, to the German ones, where the ratio of EWCs established is low. Equally, the Benelux countries and Switzerland present a high ratio, whereas Italy has a low ratio, and in Spain, Ireland and Sweden there are no EWCs amongst financial service MNCs.

Table 3.2: EWCs in the Financial Services Sector by Country of Origin

Country of Origin	Number of MNCs	MNCs with EWCs	Art. 13 EWCs
Germany	17	4 (23%)	4
France	13	5 (38%)	4
UK	12	7 (58%)	5
US	11	3 (27%)	1
Italy	9	2 (22%)	1
Switzerland	7	5 (71%)	5
Netherlands	6	4 (66%)	2
Spain	6	0 (0 %)	
Belgium	5	4 (80 %)	4
Sweden	4	0 (0 %)	
Ireland	3	0 (0 %)	
Austria	2	1 (50 %)	1
Norway	1	1 (100%)	
Portugal	1	0 (0 %)	
Canada	1	0 (0 %)	
Australia	1	1 (100%)	
Japan	1	0 (0%)	
Total	100	35 (35%)	27

Source: Own, using information from various sources, mainly Kerckhofs (2002).

3.3 THE RATIONALE FOR ESTABLISHING AN EWC

The analysis of the establishment of an EWC emerges from the assumption that the decision to establish an EWC or not is dominated by two parties; central company management and employee representatives. National traditions of workplace employee representation play an important role in determining whether the employee influence in the establishment of an EWC is dominated by trade unions on the one hand or works

councils on the other. In countries like the Netherlands, labour law separates the work of trade unions and works councils, and the role of the former in the workplace is largely limited, including lack of legal status to initiate the formation of an EWC. In other countries, such as France, Belgium or Spain, trade union presence in the workplace is much more prominent. In Spain, trade unions often dominate works councils, the unitary legal organs of representation of workers at firm and workplace level (Escobar, 1993). In the UK, with no statutory system of representation at company level, trade unions are the only influential party on the employee side.

Early EWC-related literature presents us with a number of clues as to the kinds of factors that stimulate the establishment of EWCs. These include political, structural, and behavioural considerations. I shall now explore some of the ideas arising from this early literature and its links with later research based on empirical studies.

One of the earliest contributions is Northup et al.'s (1988) study on French MNCs, which stresses the favourable political conditions at the time deriving from the Socialist government. These include the enactment of French legislation in the 1980s to introduce the group works councils (*comités de groupes*) via the Auroux Laws, and the influence exerted by the traditionally more open approach to employee consultation among the management of a number of major firms recently nationalised by the Government. Streeck and Vitols (1995) support the political argument by stressing the influence of the French Socialist party in creating an environment conducive to the establishment of transnational information and consultation bodies. More generally, in their early study of voluntary European works councils, Streeck and Vitols (1993:26) argue that "the very existence of European works councils seems to be conditioned by a company's national industrial relations system". The authors report that out of their sample, 18

companies had EWCs, and 17 of those had their headquarters in countries with strong traditions of works councils or employee representation legislation. In her study of early voluntary EWC-type agreements Rivest (1996) maintains that in the period 1985-1992, such agreements were more likely to be found in countries such as Germany and France with a long-standing tradition of information and consultation at national company level. However, Rivest (1996) finds that during the 1993-1996 adoption period, following the EWCD, these agreements extended to other countries, such as the UK and US, with a tradition of weaker legal provisions for information and consultation at company level. Such a finding suggests that the legal requirement posed by the EWCD has to some extent countered the country of origin effect. However, the potential importance of the country of origin effect has also been highlighted in a later study by Knudsen and Bruun (1998); they found a considerable spread of transnational group-level consultation arrangements across a set of countries. According to these authors, variation could be explained by strong national employee representation rights and the long tradition of employer-employee cooperation at company level in Nordic countries. According to this, one can expect that the extent of employer-employee cooperation (a focal element of which is the degree of information and consultation/negotiation at company level), might be an influential factor in determining the existence of certain EWCs.

Business and company-structure related reasons have also been put forward as potential contributors to the rise of EWC-type arrangements. Northup et al. (1988), for example, argue that the emergence of European company level information and consultation is partly a response from company management to evolving HR issues which transcend national borders. Schulten's (1992) study in French MNCs similarly suggests that company restructuring of European operations led management to consider the EWC to

disseminate and help implement such changes. Rehdfeldt's (1998) study of French MNCs supports this argument, with EWCs seen as a tool to increase management legitimacy over changes as well as attempting to create a common corporate identity among the European workforce. However, given the focus of available research on a limited number of French MNCs, it remains uncertain whether these arguments apply more widely.

Marginson (1992) has made more general propositions about the types of companies in which European consultative arrangements are more likely to be established. He suggests arrangements are more likely in those companies organised around product divisions that are international in scope, and European-wide in particular, and those involved in mergers and acquisitions to access a European market, which in turn might involve the integration of production/service provision facilities. In these cases, Marginson argues, common labour relations problems are likely to arise, and a European-wide consultative forum is more likely to be established as a result.

More recent research on EWCs has often taken the form of small-scale surveys or single or comparative case studies which have predominantly dealt with the perspectives and experiences of both employee representatives and management. These have usually been explored in terms of potential benefits and/or costs for each side, on which it can be argued that a conscious decision regarding the establishment of an EWC has been based. Thus the factors identified in the literature surrounding the perceived benefits of establishing an EWC for both management and trade unions are likely to inform their policies towards the potential establishment of an EWC.

Until recently, debate on EWCs had predominantly focused on the perspectives and

implications for employee representatives and trade unions. Prior to the enactment of the EWCD, Gold and Hall's (1992) pioneering study identified the potential that EWC-type arrangements provide for employee representatives to increase pressure on policy-making to support the adoption of statutory employee representation at European level. An additional benefit for employee representatives is the potential for trade union collaboration. This has been seen to be the case, for example, with the Nat West works council in the UK. This was the first council in the financial services sector with worldwide coverage, and was set up following collaboration between NWSA and BIFU, two UK unions with a previously hostile relationship (Cressey, 1998). EWCs have also been identified as a potential platform for trade unions to establish closer relations and network activities across national borders (Whittal, 2000). A survey carried out by Hancké (2000:43) in the car manufacturing industry revealed that more than half of the trade unions representatives, also members of EWCs, believed EWCs were a good tool for the exchange of information between plants of the same company. Moreover, Gold and Hall (1992) note that the potential platform provided by EWCs can lead not only to improved international contacts, but can also facilitate the development of joint trade union initiatives and policy at international level. A comparative cross sectional case study conducted by Lecher et al. (1999) further shows the potential for trade unions to extend their networks, not only with trade unions from other member states, but also with European institutions such as the European Trade Union Congress. More recently, at an international trade union conference of EWC employee representatives, the president of one of the main Swedish trade union confederations stressed that the growing internationalisation of businesses required better cross-border trade union cooperation, and that EWCs were a key vehicle for this (EWCB, 2003a:4).

Improved access to information has been identified as another positive outcome for

trade unions. The idea is that information is now centrally organized and distributed to different levels of the company, which in turn provides trade union branches with information previously handled mainly at central level (Turner, 1996). Furthermore, the existence of EWCs provides potentially valuable opportunities for trade union members and workers to establish closer contacts with senior management. As Cressey (1998:77) notes in his study of the NatWest transnational council, “the union could now talk directly with the financial director for the first time, be given insight into early budgetary deliberations for the group and the domestic companies, and be involved at a crucial stage in the strategic thinking of the bank”. A related advantage of unions’ greater access to corporate information is the possibility to use such information in collective bargaining activities at national or local level (Gold and Hall, 1994, Cressey, 1998). However, despite general agreement among employee representatives that there are advantages from EWCs, in a recent survey (EWCB, 2003b), company management of some 24 major MNCs reported lack of interest from employee representatives in EWC activities, particularly in companies with decentralised structures and those with large, geographically dispersed workforces.

With regards to managers views of EWCs, initial employer resistance to the introduction of legislation was based on a view of EWCs as an obstacle for management decision-making and a costly mechanism (UNICE, 1991). Nevertheless, pioneering research found that despite the financial burden, management often perceived a net benefit in that EWCs can greatly facilitate communication with, and the involvement of, employees (Freeman and Rogers, 1993). Indeed, a number of studies have reflected this switch from early sceptical views, by focussing on the potential benefits that EWCs can have for the management of MNCs. For example, Gold and Hall’s (1992) study of voluntary EWC-type agreements offered one of the earliest attempts to outline the

perceived potential benefits for management. These include the opportunity to improve international contacts and communication, and to integrate across the organisation in a way that can facilitate corporate restructuring and provide a vehicle for filtering down management strategy.

These findings have been echoed in later research. See, for example, survey work by Wills (1998) on UK-owned companies, and by Nakano (1999) on Japanese-owned firms. In both of these studies, the majority of the management respondents gave a fairly favourable evaluation of EWCs. According to Wills (1998:16), management in firms which had an EWC “valued the EWC for the opportunity it provided to exchange information with employee representatives, as a new forum for getting management views over to employees, as a chance to hear the voice of employees and as a means to involve employees in the business”. EWCs were also seen as a tool to increase employee identification with the firm’s corporate culture (*Ibid*:21). Similarly, Nakano (1999) reports that management found EWCs a useful tool for employee information and the promotion of cooperation, for the enhancement of employee involvement, and for the development of a corporate culture or identity. More specifically, this study identified one company that hoped to use the EWC to increase the integration of its sales operations in Europe.

Despite the advantages mentioned, both the Wills (1998) and Nakano (1999) studies also indicated that management rarely saw the EWC as an institution capable of affecting organisational change or managerial decision-making. Moreover, the two studies show little evidence on the actual effect of the EWCs in the companies surveyed. As suggested by the authors, this indicates that some of the management respondents were speculating towards a desired outcome, rather than reflecting on

actual practice. Weber et al. (2000) found similar results, suggesting that the real interest of the EWC for management lay in recognising it as a symbol of their social obligation and commitment towards employees; it was expected to have little impact on the firm.

With regards explicit recognition of the disadvantages of EWCs, Wills (1998) distinguishes between the responses of management in firms with and without EWCs. Among the first group, the increased employee expectations and the financial burden were claimed to be the main disadvantages, whereas among the second group increased bureaucracy and the duplication of existing arrangements were seen as key issues. The fuelling of transnational trade unionism and European collective bargaining were also perceived as possible disadvantages by management from both groups. However, according to Wills, the survey again demonstrated little evidence as to whether these were real effects as opposed to mere speculation. Indeed, Wills (1998:33) suggests that these threats did not appear to be 'live issues' at the time of the survey. In addition to those disadvantages highlighted by Wills (1998), Nakano (1999) reports that some managers saw EWCs as a burden because they constitute an essential mismatch with increasing decentralised corporate structures and autonomous profit centres. Moreover, individual studies, such as that by Weston and Martinez Lucio (1997), have shown more solidly that EWCs can pose a threat of disruption to the management of the company through the challenge they represent to existing structures of information and control.

Lamers' (1998) study of twenty EWCs in companies based in the Netherlands provides the largest account to date of qualitative data on employer perceptions and expectations. Specifically, it examines the extent of the 'potential added value' of EWCs in the eyes of management. Although Lamers (1998) addresses the methodological shortcomings of

other survey work conducted in the area (Wills, 1998; Nakano, 1999), it might still be noted that the concept of 'potential added value' again touches the borderline between what it is and what *might be* desirable. The results revisit most findings of previous work (Gold and Hall, 1992; Wills, 1998) and identify new perceived benefits. These include, for example: a new means to improve existing information and consultation provisions by including issues other than production; the potential to enhance managerial decision-making processes by adding transparency; the facilitation of a more coherent internal management, in particular through improving communication processes between different levels of management and geographical locations; the facilitation of communication between local works councils and management at different levels; and the potential for promoting cohesion among employees from different sites and developing a common corporate culture awareness.

There are indications that management from different national business systems approach EWCs in different ways. In their comprehensive analysis of EWC literature, Müller and Hoffmann (2001) note that managers from countries where there is no tradition of statutory information and consultation tend to assess the potential effects/benefits of EWCs in terms of the traditional HRM concepts of communication and organisational culture (Wills, 1998; Nakano, 1999). On the other hand, managers where traditions of collective interest representation and statutory information and consultation are embedded more deeply tend to assess the effects also in terms of their impact on the regulation of terms and conditions of work (Deppe, 1992; Stützel, 1997; cited in Müller and Hoffmann, 2001). Likewise, perceived benefits include effects on company IR, such as the establishment of national collective representation structures set up in response to the EWC (Lamers, 1998). It was also noted that for management in systems with a stronger tradition of statutory information and consultation, the financial

expense that EWCs involved was considered less of an issue because companies are already accustomed to such a cost at national level (Müller and Hoffmann, 2001).

Two more recent contributions have addressed managers' actual experiences with EWCs, focussing on practice rather than perception. The first survey was carried out in 2002, and included 24 major MNCs with experience of EWCs (EWCB, 2003b). The findings reveal that out of the 24 companies, 16 agreed that the EWC had 'added value' to the company. The reasons given for this included increased management planning and coordination as a result of the EWC, the ability to gauge employee representatives reactions to initiatives at an early stage, the use of the EWC as a focal point for the presentation of business results and future objectives within Europe, and the facilitation of restructuring and organisational change (*Ibid*:6).

The second study (EWCB, 2003c) lists a number of benefits identified by corporate management when questioned about the three greatest benefits from their EWCs. The general, over-arching advantage was seen to be the contribution EWCs make to the exchange of information and communication within companies. Within this, responses included the following: better employee understanding of pan-European company strategy and 'vision'; better understanding of national developments by central management; raised international awareness of both managers and employees; development of a 'group' spirit and increased networking; creation of a 'trust' relationship between central management and national representatives; helping to promote a 'partnership approach' in countries with little tradition of partnership; increasing non-HR manager's awareness of HR and social issues; equating all countries in terms of access to information; and helping management to anticipate the reaction to, or consequences from, major decisions (*Ibid*:18). Among the main

disadvantages/problems identified included: the lack of a common language and cultural attitude; the different economic levels of different countries; the lack of common issues or lack of interest in company-wide issues; the uneven status of different national delegates (area of work and size of Group operations in the country); and the financial costs of EWC meetings (*Ibid*:18).

As is clear from the preceding analysis, there is ample diversity regarding management perceptions of EWCs. The variety of different views suggest that the differing perceptions of managers are likely to inform decisions regarding the actual establishment of EWCs very much on a case by case basis, depending on the company's specific circumstances. The same might also be said of employee representatives and union officials. It is worth noting that the majority of these studies, in particular those from earlier years, focus on manufacturing companies. It therefore remains to be seen whether the perspectives gathered applied to other industries, such as the one on which this thesis is focused.

Given the statistics examined in the preceding Section regarding the number of companies which whilst affected by the EWCD have not set up an EWC, it is perhaps surprising that, with the exception of the very recent study of Blokland and Berentsen (2003) on Dutch multinationals, there has been no published research into the reasons within firms for not establishing an EWC. Whilst an understanding of the factors which trigger the constitution of an EWC is key to studying the reasons behind the existence or non-existence of an EWC, a more comprehensive picture can be obtained by investigating why some companies have not established an EWC, and which factors are important in this choice. Blokland and Berentsen (2003) examined why most Dutch-based companies covered by the EWCD have not as yet established an EWC. They

found that the decision of whether or not to establish an EWC is company specific, and a conscious choice by either management or the Dutch works councils. In particular, management in the case companies was found to be rather passive in initiating the process of establishment of an EWC since “they wait for the employee-side to take action and see no real benefit in an EWC” (*Ibid*:18). This, combined with the negative expectations of Dutch works councils representatives (related to low expectations of the EWCs, limits to their own capacity, and a priority given to the national works council), were seen to be important in explaining the lack of EWCs in Dutch MNCs. Moreover, reinforcing Kerckhofs’ (2002) findings, Blokland and Berentsen (2003) stress the relevance of firm size (in terms of the number of employees); employee representatives in larger MNCs are more positive about forming an EWC than their counterparts in smaller companies who see no advantage in an EWC.

In summary, the discussion of relevant literature in Sections 3.2 and 3.3 of this Chapter and in Chapter 2 has identified a number of factors likely to influence the existence of an EWC. Among these are country-specific conditions. These include the general socio-economic and political context, and factors related to national IR systems, such as existing traditions of employee representation legislation and employer-employee cooperation. Business-related and company structure-related reasons, such as company size and the extent and nature of internationalisation that is pursued, have also been identified. A closely related and influential set of factors are the extent to which integration of business strategies and company and management structures is pursued alongside internationalisation, which is in turn likely to shape the extent of cross-border coordination of HR within companies. Finally, the influence played by management and trade union policy has also been acknowledged as a potentially key factor.

3.4 FACTORS INFLUENCING THE ROLE OF EWCs

Understanding the potential, scope and focus of EWCs has been one of the main emphases of both survey and interview-based empirical research into the practice of EWCs (Müller and Hoffmann, 2001). In contrast with previous initiatives in the field of transnational IR and information and consultation in MNCs, the EWCD “is rooted in subsidiarity, the provision of options, voluntarism and the specification of procedures rather than outcomes” (Lecher et al., 2001:45). Moreover, the relatively short history of EWCs makes them an experimental area in the field of IR, with widespread variation present in terms of their internal structure, cohesiveness, and ‘capacity to act’ (Lecher et al., 1999).

Marginson et al. (1998) made an early attempt to categorise the different development paths of EWCs; they distinguish between ‘symbolic’ EWCs, being those that merely function, and ‘active’ EWCs, being those that play an active role to various extents. More recently, a key reference point is the typology developed by Lecher et al. (2001), which offers a more differentiated approach to ‘active’ EWCs. Following their comparative study of 15 cases in the food, insurance and banking sectors, the authors categorise EWCs in four ideal types, representing different development stages and according to what they refer to as their ‘ability to act’: ‘symbolic’; ‘service-oriented’; ‘project-oriented’; and ‘participation-oriented’. At one extreme, the symbolic EWC, although formally established, does not truly operate; there is little activity between the stipulated annual meetings. At the other extreme, the participation-oriented EWC refers to a situation where the employee side is cohesive and the forum is recognised by management to the extent that it allows for the conclusion of agreements or joint projects. In between the two extremes, the service EWC serves as a channel for the mutual exchange of information and provision of support between employee

representatives both at the EWC meeting and in between meetings, and the project-oriented EWC defines and implements projects independently of management by creating transnational structures for interaction. These categories result from the different configurations possible from combining four 'fields of interaction'; the relationship between 'EWC and management', 'EWC and trade unions', 'EWC and the national level of representation', and 'internal interaction within the EWC' (Lecher et al., 1999). Moreover, the authors note that the four ideal types of EWC are not necessarily mutually exclusive, and they do not represent a sequence through which all EWCs necessarily go through.

There is indeed argued to be a dynamic complexity between actors and structures in shaping the development of EWCs. Analysing the role of EWCs requires consideration of the actions and interests of the two main parties within EWCs; management and the employee side. This in turn requires understanding a complex inter-relation of factors that shape the former. These can be divided into behaviour-related factors (focusing mainly on the individual approaches and characteristics of the actors involved in the EWCs) and structure-related factors (for example, group structures and national IR structures).

3.4.1 Actor-Centred Factors and their Influence on EWCs

Employee Side Organisation and Cohesion

A well-established factor with the potential to influence the role played by EWCs is the organisation and degree of cohesion of the employee side (Fulton, 1995; Lamers, 1998; Lecher et al., 1999; Miller, 1999; Wills, 2000; Marginson et al., 2004). Whether an EWC develops an influential role depends on the extent of cooperation among employee delegates and their ability to formulate a common position on key issues.

Indeed, provided that effective links exist between the EWC and national representation arrangements, a strong employee side has the potential to control deficient management behaviour (Naggel, 1996).

In their comprehensive research into the establishment and development of EWCs, Lecher et al. (1999) highlight three dimensions of particular importance for the internal development of EWCs: the communicative; the socio-cultural; and the institutional. The communicative dimension relates to the framework in which employees from different countries and backgrounds can become familiar with each other and engage in mutual exchange. For example, language barriers have been extensively documented in the literature as inhibitors to the development of internal employee side cohesion (Fulton, 1995; Lamers, 1998; Miller and Stirling, 1998; Lecher et al, 1999). The socio-cultural dimension relates to the understanding that needs to be developed among employee representatives of each others' national traditions and practices, in terms of for instance political and IR systems. Alongside language factors, problems presented by differing social, political, legislative, IR and cultural backgrounds should not be underestimated in leading to the formation of sub-groupings and further inhibiting the development of an effectively operating EWC (Fulton, 1995; Lamers, 1998; Miller and Stirling, 1998; Lecher et al., 1999; Veersma, 1999; Wills, 2000). In this sense, training has been recognised to be crucial to the development of cooperation among the employee side (Gohde, 1995; Miller and Stirling, 1998; Miller, 1999; Fitzgerald et al., 2000). Finally, the institutional dimension concerns the EWC's attainment of the necessary democratic legitimacy and efficiency to be respected by both its members and by employee representatives at national and local level. Problems of legitimacy may arise in particular if there is dominance on the council by any one employee group. This might be especially so, for example, if the home workforce dominates proceedings by virtue of

their being the largest contingent and/or having the strongest national IR structures and rights, giving them direct access to central management (Lecher et al., 1999). As Wills (2000) illustrates in her longitudinal study of an EWC in an Anglo-French-American MNC, the greater experience with national-level information and consultation structures of the French delegation is negatively perceived by the British employee side.

Trade Union Policy: A key element shaping the activities and organisation of the employee side is the extent of trade union support and cooperation. In this sense, Lecher et al. (1999:229) argue that “effective employee interest representation at European level can only take place if certain preconditions are met,..., the most important of which is close cooperation between EWCs and trade unions”. Prior to the enactment of the EWCD, it was common trade union strategy to try to reach voluntary agreements in the hope that they would lend weight to the demand for a legal provision (Lecher et al., 1999). Following the initial foundation period, the relation between EWCs and trade unions can vary greatly, depending not only on the degree of interest on the trade union side, but also on the national IR and regulatory system of each country. For example, integration between EWCs and trade unions is close in countries like Spain, France or the UK, where EWC delegates are often trade union representatives. In such cases, the interest of the trade union(s) in establishing efficient European level information and consultation is central to the success of the EWCs, and in turn their willingness to cooperate with each other. In countries where there is a larger gap between workplace and trade union representation, the relationship between EWCs and trade unions (in particularly at national level) will depend to a larger extent on the existence of procedures for exchanging information between EWCs and trade unions, as well as on trade union support for EWCs (e.g. legal support, information material or training). However, it might be the case that in such countries, while they formally separated, a

closer relationship exists in practice between trade unions and works councils (e.g. in Germany). It is thus likely that company specific and sector related factors will be more influential than country factors in shaping the relationship between trade unions and EWCs.

Management Attitude Towards the EWC

Although the initiative to establish an EWC tends to originate from the employee side, active management support of EWC-related activities plays a key part in the employee side being able to develop an efficient communication and working structure (Gohde, 1995; Cressey 1998; Lecher et al., 1999; Royle, 1999; Wilson, 1999; Marginson et al., 2004). Marginson et al. (2004) distinguish between 'minimalist' and 'proactive' management approaches. The former is when there is not an active pursuit of EWC-activity and management is driven by the need to comply with the EWCD. The latter is when management pursues the integration of the EWC within company activities, often because they see the EWC as potentially underpinning wider corporate objectives. Whereas management willingness to control and minimise EWC's activity often underlies a minimalist approach (Weston and Martinez Lucio, 1997), the adoption of a more proactive approach tends to be reflected in: the amount of resources dedicated to the EWC, for example the number of annual EWC meetings; provisions for extraordinary meetings, training and time-off; willingness to have a co-chaired management-employee EWC; quality of information provided before the EWC meeting; scope of the EWC agenda; and willingness to inform, consult and/or negotiate at the EWC (Lecher, 1999). Other indicators of the degree of management interest in EWCs are, for example, the participation of senior management in EWC-related activities, in particular the presence of group management, the attendance of management

representatives from foreign subsidiaries, and the functional role of management routinely involved in the EWC (Marginson et al., 2004).

Nature of Interaction between Management and the Employee Side

The respective management and employee-side approaches to the EWC inform the nature and pattern of interaction between management and the employee side, in particular whether it is positive and continuous or adversarial. Hall et al. (2003) focus on the degree of 'jointness' in the control of the EWC's agenda and activities as a key area to determine the nature of interaction between management and the employee side.

3.4.2 Structural Factors and their Influence on EWCs

National Systems of IR and Employee Representation Structures

Existing literature has argued that the national IR arrangements in the company's country of origin tend to be a strong source of influence on the features and operation of EWCs (Streeck, 1997; 1998). Such influence occurs through number of elements, such as national works council legislation. Rehfeldt (1998), for example, points to the strong sway of French company works councils in shaping the voluntary European-level information and consultation arrangements set up in several French-based MNCs in the 1980s. The early study by Gold and Hall (1992) differentiates between joint management-employee EWCs, which tended to be established in French-based companies, and the employee-only EWCs emerging in some German based MNCs. Each of these mirrors national works council arrangements in the respective countries.

Research has shown that strong national representation rights in the parent company can influence the operation of works councils in a number of ways. The strong position held by the EWCs' delegates of the parent company can be channelled towards the

development of an effective functioning employee side networking structure within and through EWCs. Whittall's (2000) research of the EWC at BMW shows, for example, the positive effect of the German representatives' stronger position, both at national level and at the EWC, in leading to increased transnational trade union cooperation through their lobbying activities on behalf of their British counterparts. Similarly, studies by Lamers (1998) and Veersma (1999) of EWCs in Dutch MNCs report benefits derived from strong parent company representation rights and structures as being reflected in the more experienced and general approach taken by the employee representatives in information and consultation processes. Strong representation rights can also be conducive to obtaining better resources in terms of, for example, time off to attend EWC related duties, funding, relevant information and power (Lecher, 1999). Nevertheless, the existence of strong national representation rights can be also conducive to power imbalances, depending on the willingness of the home country delegation to use their position for the benefit of the EWC. For instance, Lecher (1999) warns that if the parent company delegates view the EWC as an extension of the national representation system, it is likely that their willingness to contribute to a truly transnational EWC will diminish. It has indeed been suggested that employee representatives from countries with well-developed representation rights and structures may have little incentive to develop the role of EWCs (Streeck, 1997; Lecher, 1998). In this sense, Lecher (1998) argues that the integration between the EWC and the various national systems of IR is necessary for it to function as an institution in its own right rather than being an extension of national IR arrangements.

A further set of structural conditions likely to shape the role of EWCs relates to the existence of an IR 'platform', on which the EWC can build (Marginson et al., 2004). This factor encompasses two areas: the existence of national group-level structures of

employee representation in the countries with the largest operations; and the presence of a pre-existing international network among employee representatives that can provide a base for EWC activity.

Strong national IR rights can also shape management attitudes towards EWCs. In his study of the EWC at Volkswagen, Helbig (1999) (cited in Müller and Hoffmann, 2001) reports the positive effect that the company culture of cooperative management has on management's approach to the EWCs, visible for example in their appreciation of the EWC for the general success of the company and in a generous allocation of resources. Nevertheless, other studies (Cressey, 1998; Wilson, 1999) have shown that a cooperative management approach can be used by the home employee delegation to pursue their own interests at the expense of the foreign workforce, partly restraining the development of the EWC as a truly transnational information and consultation body.

The analysis of the influence of national IR factors on EWCs has assumed a dominant role for employee representatives from the company's home workforce, often the largest national group of employees and from countries with well-established practices of employee information and consultation such as Germany or France. Similarly, it has often been assumed that the management practice influencing EWCs is that of the home country management. Less attention has been focused on companies headquartered in countries with weaker national IR arrangements for information and consultation, such as the UK, or even the USA where central management might not be directly involved in the EWC.

In trying to address this imbalance, a more differentiated approach on the influence of national IR arrangements has been offered by recent research on UK-based and US-

based MNCs by Hall et al. (2003). The authors found that home country influences diminish when management from the home-country's HQs are not directly involved, for example in the case of US-based companies where the EWC is managed from the company's European HQs. In this case, the influence of the host country appears to gain importance, in particular when the management involved in the EWC originates from the host country or has experience in countries with stronger institutional models of employee information and consultation. Hall et al. (2003) report the cases of US MNCs where the management in charge of the EWC had continental background or experience, which was thought likely to have contributed to limiting the influence of home country US management attitudes, often hostile to European employee participation practices (Ferner, 2000b).

Regarding the employee side, Hall et al. (2003) argue that the country of origin effect is particularly weak when the UK is the home or largest workforce; something that is derived from the secondary role played by the EWC's UK delegates with limited experience on works councils and group-level consultation processes. In a similar vein, Wills' research (2000) on the EWC of an Anglo-French-American company provides evidence of French dominance on the employee side over the UK delegation, again due to their greater experience. Both studies throw some doubt on Lecher's argument (1998:236) that in countries with little tradition of employee representation at company level such as the UK, EWCs have the potential to become an innovative forum for group level employee representation, partly addressing the shortcomings of the weaker British regulatory framework. Indeed, there is little evidence to suggest that the potential identified by Lecher is being realised.

Organisation, Product and Management Structures

A number of studies have related the organisation and production structure of MNCs to

their EWCs' development and activity. Early studies primarily focused on the relationship between the organisation of production and restructuring activities on the one hand, and the development of transnational employee contacts and networking structures on the other, based on the idea that networking activities on the employee side indicate the development of a distinct role of the EWC in the IR of MNCs in Europe. The early contribution by Gohde (1995) suggested that when firms relocate production internationally this is likely to lead to increased employee relationships across countries. Weston and Martinez Lucio (1997) and Hancké (2000) have pursued a similar idea in separate studies in the context of manufacturing firms, and have found contrasting results. Hancké (2000) found that an integrated production structure and benchmarking activities across company sites in different European companies led to a situation of increased competitiveness in which employee representatives used the EWC as a tool to pursue their national and local interests, thus impeding international cooperation. Weston and Martinez Lucio (1997), on the contrary, suggest that the above conditions can lead to increased contact and information exchange between employee representatives, through what is hinted to be a more mutually beneficial relationship.

Rather than focusing on the existence of cooperation on the employee-side, recent research has paid more attention to the potential role of EWCs based on the impact of management activity and decision-making (Marginson et al, 2004). In her study of 17 Dutch groups with EWCs, Lamers (1998:43) suggests the importance, for EWC effectiveness within groups with complex organizational structures, of having an "equivalent in the corporate structure at European level in order to establish clarity in the chain of command within the internal organization". As a result, information and consultation at European company level may prove a useful mechanism for both the management and employee representatives of those companies, as the key HRM issues

and decision-making power for both parties are strategically determined at European level, and hence invite a European level of consultation. Those companies, on the other hand, with extensive operations elsewhere, may have developed structures that give their HR function and policies an orientation other than European. Information and consultation at this level may therefore not be as worthwhile, something that may be reflected in the attitudes of management and employee representatives. Finally, for those companies falling under Porter's notion of 'multi-domestic' MNCs (Porter, 1986), transnational employee information and consultation is not likely to be very relevant given the lack of integration of their activities across borders.

Recent empirical research of eight EWCs in US and UK manufacturing MNCs found that the capacity of the EWC to influence lower IR structures within the company (and therefore to contribute to defining the role of the EWC) can be explained by the degree to which the EWC 'fits' management decision-making structures (Hall et al., 2003). The same research goes further in identifying two factors with the potential to influence the impact of EWCs on management decision-making (which therefore shape their role); the first factor is the focus, spread and integration of the company's business activities in Europe, or 'business alignment', and the second factor is the existence and nature of European level management structures which serve as a counterpart to the EWC (Marginson et al., 2004). A greater impact on the outcome of management decision-making is evident in single business companies with highly integrated operations across several countries, as this scenario is more likely to lead to greater international management coordination, as well as the identification of common employee interests. Furthermore, the existence of a European management structure operating at the level at which EWCs are established is likely to result in a stronger impact of the EWCs on

management decision-making, in particular if such a structure is matched by ‘proactive’ management willing to make the EWC ‘work for the company’ (*Ibid*).

Following the above analysis, it is clear that both structural and behaviour related factors are potentially important in explaining variation in the role and activity of EWCs. Indeed it is often likely to be a complex interweaving of the two types of factors that determines the EWC’s experience.

3.4.3 The Role of EWCs in Financial Services Firms

Following the above analysis, the situation in the financial sector is now considered on the basis of evidence provided by a number of published case studies. Table 3.3 summarises available evidence from the banking and insurance sectors; insurance is included for comparison given that there are few banking studies on which to draw (Fortis Group encompasses both banking and insurance businesses). The table has been compiled by conducting analysis of data presented in a number of cases, of which Lecher et al. (2001) is the core source. Columns four, five and six represent elements identified in the analysis conducted in the previous Sub-section. Employee-side cohesion and networking (column four) refers to nature of the EWC’s employee side organisation and the propensity of the employee-side to engage in networking activity. Management policy (column five) refers to the approach taken by management to the EWC, which can be differentiated between ‘minimalist’ and ‘proactive’ (Marginson et al., 2004). Finally the interaction between management and the employee-side (column six) refers to the nature and frequency of interaction between the two groups, and which group tends to lead it. Lecher et al. (2001) find that frequent and constructive interaction is a key influence to the EWC’s ‘capacity to act’.

Of the 12 EWCs examined, four (one banking and three insurance groups) can be

characterized as ‘symbolic’ (Marginson et al., 1998; Lecher et al., 2001), being confined to the annual EWC-meeting and not truly operating despite existing for a number of years.

Table 3.3: The Role of EWCs in the Financial Services Sector

Company	Origin*	Date Established	Employee side cohesion; networking	Management policy towards EWCs	Interaction between management and employee side	Type of EWC**
BANKING						
Kredietbank	BE	1994 Art.13	Medium: increasing contact	Minimalist towards proactive	Joint/management led; infrequent	Symbolic /service
Credit Lyonnais	FR	12/09/1994 Art. 13	Low: little contact	Minimalist	Adversarial; Management led	Symbolic
ABN Amro	NL	12/12/1997 Art.6	Medium; increasing contact	Minimalist	Joint, limited	Active (Heading towards project oriented)
Deutsche Bank	DE	10/09/1996 Art.13	Strong: frequent contact	Pro-active	Employee led; frequent	Active (Participative)
Basler Versicherung	CH	06/1996 Art.13	Medium: periodic contact	Minimalist	Employee led; frequent	Active (Service)
Nat-West***	UK	09/1996 Art. 13	Strong: frequent contact	Pro-active	Joint; frequent	Active (Project-oriented)
INSURANCE						
Fortis	NL	09/1996 Art.13 Renegotiated in 2000	Strong: frequent contact	Moving towards proactive	Employee led; frequent. Moving away from adversarial	Active (Project-oriented)
DBV-Winterthur	CH	12/09/1996 Art.13	Low: little contact	Minimalist	Management led; limited	Symbolic
Allianz	DE	24/07/1996 Art. 13	Low; increasing contact	Minimalist	Joint; limited	Symbolic (heading towards service/project oriented)
Bayerische Vereinsbank	DE	11/09/1996 Art.13	Low: little contact	Minimalist	Management led; limited	Symbolic
Victoria	DE	06/1996 Art.13	Strong: frequent contact	Proactive	Employee led; frequent	Active (Participative)
Axa-AUP	FR	20/06/1996 Art.13	Strong; periodic contact	Pro-active	Employee led; frequent	Active (Project Oriented)

Source: Own. Information on Nat West has been obtained from Cressey (1998). Information on Fortis has been obtained from Demaitre (EWCB, 2003). The rest of the cases have been obtained from Lecher et al. (2001).

* BE=Belgium, FR=France, NL= Netherlands, CH= Switzerland, DE= Germany, UK= United Kingdom

** Categorized according to the distinction between ‘symbolic’ and ‘active’ by Marginson et al. (1998) and the ‘symbolic’, ‘service’, ‘project oriented’ and ‘participative’ typology proposed by Lecher et al. (2001).

*** Nat-West World Council does not currently exist. Following the Royal Bank of Scotland/Nat-West merger in March 2000 a re-negotiation process was initiated which is still in progress at the time of writing.

The case of the French bank Credit Lyonnais is of particular significance since a combination of an adversarial management approach and a lack of interest from the dominant home-country EWC delegation (more interested in national domestic arrangements) might have permanently blocked any future development of the EWC. The lack of development of the EWC in Bayerische-Vereinsbank is mostly attributable to the bank's structure, with fewer than 10% of its employees in foreign subsidiaries. This is coupled with the dominant position of the German home country delegation and an EWC chair with little interest in extending the scope of the forum. Similarly, in DBV-Winterthur, the development of the EWC has been inhibited by the group structure (a Swiss parent company and no Swiss employee representatives included) as well as little interest from the German employee delegation (the largest), which is fully informed by virtue of domestic legislation. Somehow different is the case of Kredietbank, where despite the numerical and political dominance of the home Belgian delegation, there is willingness to cooperate with foreign representatives as well as an increasingly supportive management approach.

At the other extreme, one bank and an insurance group have developed 'participative' EWCs that operate beyond the scope of information towards formalized consultative and negotiating procedures. In the German Deutsche Bank a proactive management approach has been met by a cohesive employee side, a product of strong links between the EWC's employee side and a domestic company representation system that is keen to extend the same privileges to foreign subsidiaries' employees. A similar case, although within a company with lower degrees of internationalization, is that of the German insurance group Victoria, where the EWC is rooted in the German system of co-determination.

The other EWCs in the Table have managed to develop their own internal capabilities and structures to either serve as a forum for the mutual exchange of information and employee representatives support (a ‘service’ EWC) or to implement specific projects (a ‘project-oriented’ EWC). In the case of the Swiss group Basler-Versicherung, the initiative and national co-determination rights conceded to the German EWC delegation, and in particular to its chair, a German representative from a small subsidiary, has meant increased management recognition and improvement of the original agreement. In AXA-UAP, available financial and staff resources offer the EWC the scope to develop its own projects, although a recent merger with another French insurance company has hindered further development given the reorganisation of the existing EWC, which has set back its practical operation. In the Dutch group Fortis, a renewal of the original Art. 13 EWC agreement following a merger has been the catalyst for management to adopt a more pro-active approach, with the employee side also engaging in more systematic contact, having set up a number of technical committees and a more formalized approach to the EWC. In ABN-Amro further development is blocked by a restrictive management approach regarding the limited scope for employee participation conceded. Nat-West was the first UK-based financial services company to set up a council inspired by the EWCD, and did so with a ‘ground-breaking’ format in terms of its worldwide scope. Nevertheless, the selling of most foreign Nat-West subsidiaries and the Nat-West/Royal Bank of Scotland merger have resulted in the disappearance of the worldwide forum, which is being replaced at the time of writing.

In sum, the above analysis has shown ample variation in the role played by the EWCs of both banking and insurance groups, ranging from the limited ‘symbolic’ EWCs to the ‘active-participation based’ EWCs. Whilst it is clear that a pro-active management

approach is necessary for the development of an EWC in the latter category, there is also evidence that group structure related factors can affect developments, not only by shaping management policy towards EWCs, but also the employee side's approach.

Section 3.6 will draw together the arguments from this Section and Section 3.3 in the form of an analytical framework that underpins the research conducted in this thesis. First, however, Section 3.5 introduces analysis of the potential implications of EWCs for a framework for a European system of IR. In particular, it is suggested that some companies might necessitate an analysis that extends beyond European boundaries.

3.5 EWCs AS A DRIVER OF EUROPEANIZATION IN INDUSTRIAL RELATIONS

The 1994 EWCD has prompted the creation for the first time of a 'European' institution for the development of a company-level transnational system of IR. In consequence, EWCs have been seen as highly significant initiatives (Platzter, 1998; Lecher et al., 2001), especially in the context of an increasing number of European-scale MNCs that are playing a key role in the development of IR at European level (Marginson, 2000). Indeed, in parallel with a drive towards European integration, a growing number of firms have opted to re-organise their production, distribution and management structures into pan-European networks. This in turn has prompted MNCs to "develop a cross-border, European dimension to their own company specific IR practice" (Marginson and Sisson, forthcoming). This process has taken place either *formally*, through the establishment of common cross-border practices at 'Euro-company' level, or more *informally* through the use of benchmarking or coercive comparisons. Within this scenario EWCs have been seen to offer infrastructural potential to co-ordinate cross-border action.

Despite initial expectations, however, the complexities surrounding the development of

EWCs and their interaction with IR structures at local, national and European level, means that there is little clarity regarding the impact of EWCs on the development of a European IR system. As with the more broadly defined debate on the Europeanization of IR, the range of competing diagnoses can be assigned to the camps of the Euro-optimists and the Euro-pessimists (Dølvik, 1997). Euro-pessimistic positions have tended to highlight structural factors such as the diversity of national IR systems or the rather liberal character of the European integration process as inhibitors of any significant moves to a truly integrated system (Müller and Hoffmann, 2001:108). Arguably influenced by the characteristics of the German system of co-determination, Streeck (1997), for example, claims that the provisions of the EWCD itself are a key factor in precluding the development of an effective supranational regime of IR regulation. Firstly, the EWCD fails to provide comprehensive and universal participation rights, and secondly, the EWCD fails in the mode of implementing participation rights by allowing for voluntarism rather than statutory provisions. Furthermore, Streeck warns that the voluntarist approach of the EWCD leaves ample room for the emergence of management-employee coalitions aimed at increasing competition among national workforces, therefore preventing the establishment of an integrated European IR system. In a similar vein, Schulten (1996) argues that although the development of company level arrangements as a consequence of EWCs may bring improved working conditions, they may not necessarily avoid social dumping given differences in national standards. Thus they may further weaken existing national systems of IR regulation.

Contrary to the more sceptical views, the Euro-optimistic approach emphasises the scope offered by the EWCs with regards to employee cross-border cooperation and political action over the limitations placed by the structural framework conditions (Turner, 1996; Dølvik, 1997; Lecher et al., 1999). This argument supports the idea that,

alongside other institutional developments at European level, the EWCD is the catalyst for national and European trade unions to adapt their structures to the European scenario, both structurally (e.g. seminars, conferences, support and guidance) and through changing the mindsets of the main actors involved. Lecher (1998) stresses, however, that the establishment of links between EWCs and trade unions are a necessary condition in the drive towards Europeanization and to prevent EWCs from becoming detached from national and European developments at sector/multi-sector level. He argues that only if such links are established are EWCs likely to obtain the legitimacy and support they need for their internal development, rendering them able to reach company-based negotiations. Furthermore, it has been suggested that EWCs can serve as the base for the emergence of a European system of collective bargaining at company level, provided they manage to develop from mere information committees to social and political actors (Lecher et al., 1999). Alternatively, Marginson and Sisson (1998) argue that EWCs can be a platform for the establishment of 'joint opinions' or 'framework agreements', applied either formally or informally at national or local level in negotiations characterised by what they call 'virtual collective bargaining'.

In sum, the more optimistic views assess the impact of EWCs on the Europeanization of IR by emphasising the potential role that they have in fuelling cross-border relationships, which are likely to foster both the internal development of EWCs and the Europeanization of trade union structures and policies. In other words it strongly focuses on employee-side collective organisation processes, in particular trade unions. Nevertheless, it can be argued that this framework assumes that both trade unions (and implicitly also employers) are willing to turn their attention to newly established institutions at European level such as the EWCs. Whilst such analysis might be appropriate in the light of empirical evidence of EWCs in the manufacturing sector, where integrated production structures are more likely, there are reasons to argue that it

might not be universally applicable. According to the analysis developed in Chapter 2, the extent to which the institutional internationalisation of banking firms is pursued as a business strategy will vary from firm to firm and across different banking businesses. Markets and hence businesses in investment banking are much more internationalised (and integrated) than in retail banking, for example. Potentially, as important is the nature of internationalisation pursued, since historical factors have traditionally played a significant role in the areas to which banking firms have focused their international operations, within and outside Europe. For example, if the firm's internationalisation strategy bypasses European frontiers to focus on a different continent, there are reasons to expect that trade unions (and the employee side in general), as well as management, might not be interested in institutions at European level. It is suggested, therefore, that there is a risk that EWCs are caught in the middle of the different speeds at which internationalisation is taking place. More specifically, the role of EWCs is expected to vary from firm to firm depending on company-based decisions around strategy and organisational and management structures. In terms of the proposed framework for a European IR system, it might be found that while some companies can fit very well into this idea, others instead rely on the more traditional national systems of information and consultation to feed into their personnel function and strategies, or might opt for more innovative mechanisms at international level. This opens up a new area for research.

3.6 RESEARCH OPERATIONALISATION: ANALYTICAL FRAMEWORK

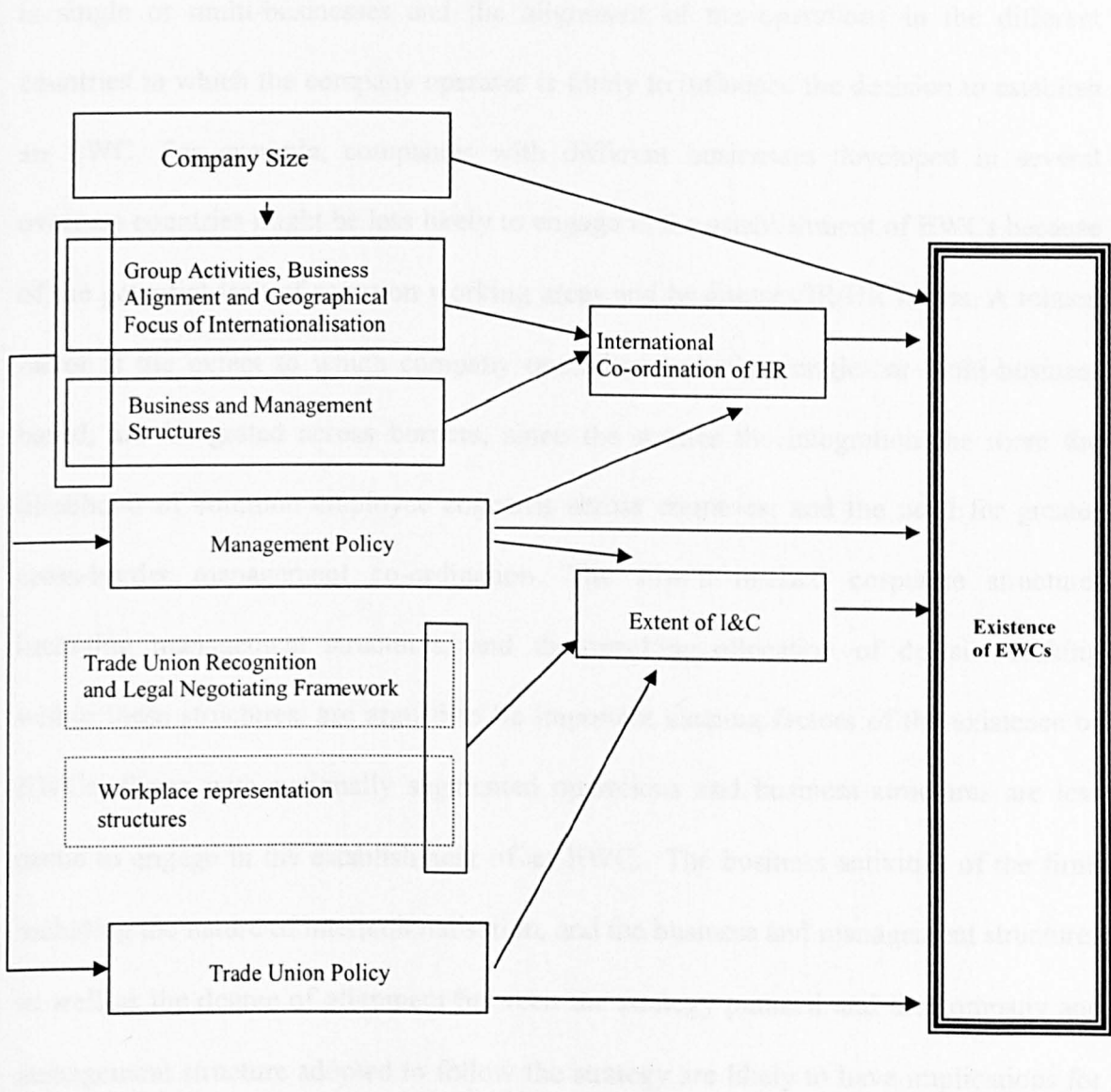
Drawing on the arguments of both this Chapter and Chapter 2, this Section presents an analytical framework that aims to capture the main factors that have a direct and/or indirect influence on (1) the existence, and (2) the operation of EWCs. This framework intends to provide a basis from which not only the role of these factors but also their interaction can be explored, and the framework will be refined in Chapters 8 and 9 in

response to the actual process of comparative analysis. Whilst the combination of some of these forces may trigger the establishment and/or a more 'active' operation of EWCs, others might run counter to it. Indeed, the study aims to show why in some organisations the relevant actors have been pioneers in the establishment of EWCs, whilst in others they have shown persistent reluctance to their formation and/or development of an 'active' role. The proposed framework suggests complex and multiple linkages, which need to be investigated in the context of specific firms since it is not evident *a priori* which of these linkages will be most important. It is anticipated that the nature of these forces and their interaction vary when examining their influence on the establishment of an EWC on the one hand, and on the EWC's role and development on the other.

Figure 3.1 depicts the initial analytical framework derived from the discussion of Chapter 2, and Sections 3.2 and 3.3 of this Chapter, in which continuous lines represent influences within individual firms on the decision to establish or not an EWC. In Figure 3.1 the main factors identified as influencing the existence or non-existence of EWCs . These are company size, the firm's activities; the firm's business alignment and geographical focus of its internationalisation strategy; the firm's business and management structures; the degree of international coordination of HR policy and practice; the; the extent of information and consultation at national domestic level in the country of origin or with the majority of employees; management policy; and trade union policy. Influences relating to the country of origin of the firm (such as the national institutional, business or socio-economic context) and sector, are examined through elements intrinsic to the firm, such as, for instance, the influence of national company level representation structures, or management and/or trade union policy. The analysis is conducted in this way because the focus of this thesis is a comparative

company-based case study research of firms within a single sector, and it is expected that country of origin or sector effects should manifest themselves through different aspects of the firms' behaviour.

Figure 3.1: Factors Influencing EWC's Establishment - Diagrammatic Representation



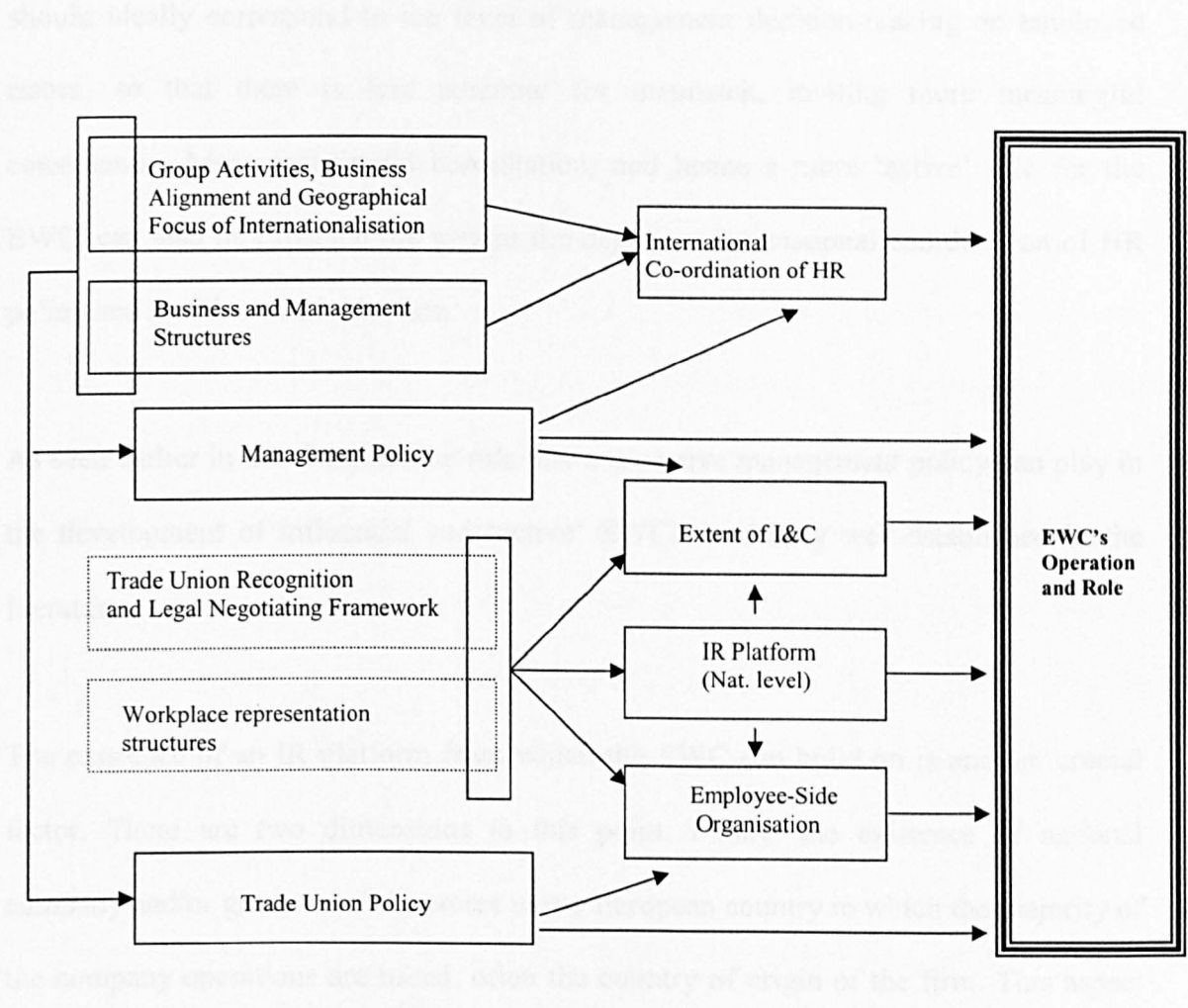
A first consideration in the decision to establish an EWC is company size. As seen earlier in this Chapter, evidence shows the larger the MNC the more likely to have an EWC in place. Another influential factor is the extent of overseas workforce and operations, and the extent to which they are concentrated in one or more countries, as well as the geographical location of that country or countries. In the case of significant

overseas operations, EWCs will be more likely to be established if internationalisation is concentrated in Europe, and in EEA countries in particular. In those cases where historical and cultural links have resulted in large company operations in other world regions, it might be that there is little management and/or trade union interest to set up an EWC, despite the European origin of the company. Likewise, whether the company is single or multi-businesses and the alignment of the operations in the different countries in which the company operates is likely to influence the decision to establish an EWC. For example, companies with different businesses developed in several overseas countries might be less likely to engage in the establishment of EWCs because of the potential lack of common working areas and businesses/IR/HR issues. A related factor is the extent to which company operations, whether single- or multi-business based, are integrated across borders, since the greater the integration the more the likelihood of common employee concerns across countries, and the need for greater cross-border management co-ordination. The firm's internal corporate structure, including management structures, and the resulting allocation of decision-making within these structures, are argued to be important shaping factors of the existence of EWCs. Firms with nationally segmented operations and business structures are less prone to engage in the establishment of an EWC. The business activities of the firm, including the nature of internationalisation, and the business and management structures, as well as the degree of alignment between the strategy pursued and the company and management structure adopted to follow the strategy are likely to have implications for the degree of international coordination of HR policy and practice within the firm. This later aspect can also be key to shaping decision-making on the establishment of EWCs, since the larger the extent of international coordination pursued by company management, the greater management interest and involvement one can expect in EWC-type structures.

A related factor which has tended to be explicitly examined in relation to the operation of EWCs has arguably the potential to influence also their initial establishment. This is the existence of cooperative practices of employer-employee information and consultation. As explored in Section 3.3, management policy is also likely to play a key role in the establishment of an EWC, since those companies in which management sees the EWC as potentially underpinning wider corporate strategies, structures and objectives, are more likely to fuel the establishment of such forums. Similarly, trade union policy can exert a direct influence on the establishment and development of EWCs. An active interest of employee representatives and in particular trade union officials can be crucial for the actual establishment of an EWC. As has been suggested earlier in this Chapter, issues related to the firm's organisational reality can also influence trade union policy towards potential EWCs.

Figure 3.2 resembles Figure 3.1, but depicts the proposed analytical framework corresponding to the factors influencing the *operation and role* of EWCs because the analysis of factors influencing the existence on one side, and the operation and role on the other, will be conducted separately. Again, the main factors identified as shaping the operation and role of EWCs follow from the analysis conducted in Chapter 2 and in Section 3.4 of this Chapter. These are: the firm's activities; the firm's business alignment and the geographical focus of its internationalisation strategy; the firm's business and management structures; the extent of international coordination of HR policy and practice; management policy; the nature and extent of information and consultation practices within the company; the degree of 'jointness' of IR; the existence of an IR platform at national level and the nature of the employee side organisation and trade union policy.

Figure 3.2: Factors Influencing EWC’s Role and Development - Diagrammatic Representation



When examining the forces likely to shape the operation of an EWC many of the considerations are similar to those regarding the establishment of EWCs. Firstly, the extent and location of the company’s international operations, and the nature of the company’s businesses and alignment across borders are likely to be important. When companies have considerable overseas operations, with a high degree of concentration in European countries (EEA countries in particular), and have high business integration across borders, management is more likely not only to engage in the establishment of an EWC but also in the development of an ‘active’ EWC. Secondly, the business and management structures of a firm can be important shaping factors in the role of EWCs. The existence of an international management structure at an equivalent level to the

transnational structure for information and consultation is likely to be important; the level at which employee representatives are organised and consultation takes place should ideally correspond to the level of management decision-making on employee issues, so that there is less potential for mismatch, inviting more meaningful consultation. More meaningful consultation, and hence a more 'active' role for the EWC, can also be expected the greater the degree of international coordination of HR policy and practice within the firm.

As seen earlier in this Chapter, the role that a proactive management policy can play in the development of influential and 'active' EWCs is already well-established in the literature.

The existence of an IR platform from which the EWC can build on is another crucial factor. There are two dimensions to this point. Firstly, the existence of national company and/or group level structures in the European country in which the majority of the company operations are based, often the country of origin of the firm. This aspect will certainly be shaped by the IR arrangements, including legal framework and workplace representation structures, of the sector and country in which the company's major operations are developed, although it is important not to underestimate the choices and practices of the main actors involved in the specific firms. Secondly, pre-existing employee networks at international company level can be expected to aid in the development of EWCs. Moreover, with relation to the previous factor, the extent to which cooperative practices of employee information and consultation, or even negotiation, exist within the firm at home country national level (or within the European country in which the majority of the company operations are based) can play a critical role in shaping EWC's role. Existing IR arrangements within the firm, including the

existing of a national IR platform, and a cooperative management policy are two elements likely to determine the extent to which information and consultation practices/processes are exercised within the firm. The influence of employee-side organisation refers to the organisation and degree of cohesion of the EWC's employee delegation. This includes the cohesiveness of EWC employee delegates, both at home country level and among the foreign delegations, and their tendency to engage in networking activity and collaboration both nationally and internationally. Other aspects include the nature and activity of the steering committee or the response of the employee delegates to situations of transnational restructuring. Understood in this sense, employee side organisation is likely to influence the operation and role of EWCs. In turn, the degree of cohesiveness of the employee side is likely to be influenced by existing IR arrangements within the sector in each country, the existence of an IR platform at national level, and trade union policy towards national and international cooperation.

This chapter has examined the context for the development of EWCs, addressing some of the main debates in the literature regarding the establishment and operation of EWCs. The analytical framework presented in Figures 3.1 and 3.2 draw on the arguments outlined in both Chapters 2 and 3 and will guide the investigation of this thesis. A main aim is to test the extent to which existing evidence and literature on EWCs informs the existence or non-existence of EWCs, and their role, in the specific context in which this research is based; four case study banking groups in two different countries. The framework will be refined in the process of the comparative analysis conducted in later Chapters, to reflect the findings of the research.

Chapter 4

METHODOLOGY

4.1 INTRODUCTION

The objective of this research is the study of transnational employee information and consultation arrangements in the context of the internationalisation of business organisations and HR practices. The aim is to uncover the key influential factors behind the establishment and operation of EWCs in four European MNC banks.

This Chapter presents a research design which operationalises the analytical framework of the study outlined in Chapter 3. The analytical framework suggests a number of factors, with complex and multiple linkages among them. It is not evident a priori which of these factors and linkages are most significant, necessitating the conduct of empirical research to clarify understanding around the issue. A comparative study of the existence and evolution of EWCs will be carried out through a cross-case comparison of four different firms of the same industry in two countries. The nature of the research allows for intra-country as well as cross-country comparison, with cross-case comparisons among two banks of Spanish origin and two of UK origin. It also enables an addressing of the issue from multiple perspectives, by investigating the position of both employee representatives and management, the two main groups intervening in the EWC process.

The organisation of the Chapter is as follows. In Section 4.2 the epistemological underpinnings of the research are explained, and in Section 4.3 the methodological use of a ‘firm in sector’ approach (Kenis, 1992) in investigating the existence and operation of EWCs is justified. Section 4.4 elaborates on the research design of this thesis, including the rationale for the selection of the countries, sector and firms. Section 4.5 then briefly describes the methods, highlighting the form of investigation, data collection, analysis and interpretation. The final Section concludes with a stating of the limitations of this research.

4.2 ONTOLOGICAL AND EPISTEMOLOGICAL UNDERPINNING

Every research framework is based on a series of assumptions or ‘taken for granted’ notions which are often implicit rather than explicit. Nevertheless, as researchers it is important to be aware of one’s implicit position, and ultimately the potential implications of that position for the research findings. The seminal work of Burrell and Morgan (1979) offers an alternative approach for disentangling the ‘taken for granted’ assumptions, as opposed to those who present “their favoured approach to research in a way that makes their assumptions evident” (Morgan, 1983:378). According to Burrell and Morgan (1979), the social world can be viewed through four distinctive frameworks, defined in relation to two main independent dimensions; the subjective-objective dimension and the regulation-radical change dimension. Both dimensions are formed by a series of assumptions that relate to the ontological, epistemological, human nature and methodological nature of the subject area under consideration.

4.2.1 Meta-Theoretical Assumptions

Ontology refers to the very nature of the area under investigation. Bryman (2001) differentiates between two marked ontological positions; objectivism and subjectivism.

Whereas objectivism views social phenomena as external to the individual, subjectivism sees reality as socially constructed. From this latter viewpoint Guba and Lincoln (1994) argue that there are often multiple and sometimes conflicting social realities. The ontological assumptions of this research seek to straddle both objectivism and subjectivism. Giddens' structuration theory (1979; 1984) provides a useful bridge between the subjectivist and objectivist position. This is done by proposing a revision of the dichotomous relationship between the two analytic units favoured by positivist approaches: the voluntarism of individuals and deterministic forces which shape individuals' actions.

The *epistemological* assumptions refer to the theory of knowledge itself, in the sense of the type of findings the researcher aims to obtain. My epistemological position is based on the anti-positivist approach "set against the utility of a search for laws or underlying regularities in the world of social affairs" (Burrell and Morgan, 1979:5). Given that I am exploring the perspectives of those involved in the operation of EWCs, direct involvement with the subject of study is essential in order to gain adequate understanding. Positivist approaches are mainly concerned with the establishment of causal relationships between the causal power and the object of study. This implies creating the appropriate conditions so that the object studied responds to the cause or power a priori established by the researcher. Such an approach lies against the principles of my research, where no previous conditions are fixed. In this sense, Tsoukas (1989:552) argues that "the impossibility of constructing the conditions of closure in the social sciences means that they [social sciences] are primarily explanatory and not predictive". Obtaining my findings through a cross-cultural comparison means being alert, not only to the impact of language and meaning which we attach to things, but also to the influence of other variables in a broader context - political issues, for example. Indeed, research into the political behaviour of international business has

proved that “crossing borders introduces firms into other sovereignties” (Boddewyn and Brewer, 1994:137).

The *human nature* assumptions are based on the debate around determinism versus voluntarism, the former posing the human being as completely determined by the social situation in which he or she is located. Again, it can be argued that employee representation measures in different European states are strongly shaped by national level regulations. However, rather than deciding on either a radical deterministic view or one completely free from any social constraint, I would argue that my specific area of research falls somewhere between the two. I therefore adopt an intermediate standpoint which allows for the influence of both situational and voluntary factors over the individual responses and experiences in connection with the establishment and development of EWCs.

The *methodological* debate is based on two extreme approaches; ideographic and nomothetic. “The ideographic approach to social science is based on the view that one can only understand the social world by obtaining first hand knowledge of the subject under investigation” (Burrell and Morgan, 1979:6). In order to obtain fruitful conclusions about the positions of the actors involved in EWC activity, namely management and employee representatives, I systematically studied the actors and organisations involved and their background. Moreover, I did so within the context of a specific industry embedded in varying national political and social circumstances. In the words of Child and Tayeb (1983), “in the ideographic approach, the relations between organisation and their context are assumed to form configurations that are peculiar to defined space and time” (cited in Tsoukas, 1989:555).

4.2.2 *Finding a Suitable Paradigm*

Returning to the initial paradigms formed by the four sets of assumptions, my theoretical position is situated within the broad interpretative paradigm whilst also acknowledging the more holistic approach offered by Giddens's structuration theory (1979; 1984). While an account of the agent's activities can be built up from an interpretative analysis of their actions, such an account would be inadequate unless it included the factors guiding these actions and their results (Giddens, 1979). As a 'qualitative' researcher, I understand that different realities are interpreted differently by different people, interpretations also conditioned by time and context. Social situations are constructed by individuals' backgrounds and previous experiences, and thus one of my aims as a researcher was to acknowledge the existence of multiple realities within the apparently 'uniform' concept of EWCs. In this sense, my research was exploratory in nature, and also designed to be open to evaluation against reference points provided by existing studies in the area.

4.3 RESEARCH METHODOLOGY

4.3.1 *Research into EWCs: The Need for a Comparative Case Study Approach*

The preceding Chapter has acknowledged the lack of in-depth, comparative research into EWC-related issues. Debates in the research methodology literature have focused on the distinction between qualitative and quantitative approaches (Bryman, 1988; Easterby-Smith et al., 1991; Bryman and Burgess, 1994), these being more or less appropriate depending on the research questions of the study in question. In this research on the existence and operation of EWCs I adopt a qualitative approach, characterised by its concern with constructionism, interpretation and subjective perception, rather than with identification of a rational truth underpinned by a natural science model (Bryman, 1988). This allows the thesis' aims and objectives to be best accomplished.

The need for a deep understanding of the dynamics surrounding the subject justifies the selection of comparative cross-case study research for the conduct of this study. Case studies are appropriate as a research strategy when the aim is to understand the dynamics present within single settings (Eisenhardt, 1989:534), or when the investigator has little control over the process (Yin, 1994:1). Among the various classifications of case studies, there is a distinction between exploratory and explanatory case studies. Yin (1994:6) refers to the first type when the questions to be addressed focus mainly on the 'what', and to the second type when emphasis is put on the 'how' and the 'why'. This research draws on both types of case studies. It is anticipated that the study reveals aspects distinctive to each case, which thereafter allow for explanations of how and why those aspects differ. The influence of the companies' environment and various (internal and external) developments, are likely to permeate the actions and behaviours of actors involved with the EWC process and decision-making. Therefore a retrospective analysis of the firms is essential, so that the research can grasp the succession of events that might have triggered (or not) the establishment of EWCs, as well as uncovering the key features of their operation. To this end, the research has tracked EWC developments since their creation, as well as their activity over a fifteen-month period.

Locke and Thelen (1995) advocate the use of the 'contextualised approach' that takes account of the different 'starting points' of each case under investigation, and therefore minimises misleading or oversimplified conclusions. Moreover, the need to consider both the external and internal contexts affecting EWCs requires the use of a multilevel analysis (Hendry and Pettigrew, 1990). As Pettigrew (1990) argues, the case study method allows the opportunity to study the process in question in its context, and

therefore to incorporate the influence of various interconnected levels of analysis. These will be explored in the following Section.

Case studies are explicitly designed to suggest, develop or test generalisations with broader application (Whitfield and Strauss, 2000). By building on some tentative propositions from recent research, the case studies in this research will contribute to the generation of a theoretical framework around the existence and operation of EWCs in banking firms of British and Spanish origin. This can be achieved without making a case for the statistical representativeness of the case study companies (Edwards, 1992). The word ‘theory’ in this context refers to a certain set of characteristics that are more likely to occur in an environment with certain assumptions, constructs and variables, different to those existing in a context where previous research has been undertaken.

As identified in Chapter 3, there is a lack of in-depth comparative studies into the existence and operation of EWCs. Comparative case studies have strong advantages over single case studies in that they facilitate the uncovering of the importance of different contextual factors in ways that a single study is not able to do. Comparing across different contexts can lead to a deeper and more sophisticated understanding of the underlying factors at work. This is particularly true when there are large differences in context, such as when comparisons are cross-national. This study is based on cross-case comparative research within one sector in two countries, and as such it addresses this gap in the current literature.

4.3.2 Levels of Analysis

When the phenomena under investigation is under the influence of interconnected levels of analysis, there is a need to demarcate these levels (Pettigrew, 1985). These levels are outlined below.

The *firm* is the main unit of analysis of this research. EWCs are based within firms, institutions characterised by their complexity, evolving nature and context-specific entities (Porter, 1991:97). As such, the establishment and operation of EWCs is the result of interaction among management and employee representatives from different levels and within different units of the organisations. In particular, large MNCs with extensive international operations constitute the main level of analysis. Moreover, the nature of the case study firms as large and dominant players within their field means that they are influential in shaping sector trends (Marginson and Sisson, 1996). Thus their influence enables analysis of the differential impact of country and sector factors on organisational transformations, and facilitates the drawing of some wider conclusions relevant to other firms. Furthermore, large organisations have larger scope to shape their own actions and approaches given their often dominant market position and their leading role within institutions such as employers federations. As stated above and in Chapter 3, company-specific features (Marginson et al., 2004) as well as management strategic choices (Child, 1972) are important in shaping EWC-related developments in each specific firm. Indeed, a detailed analysis of each firm is required given that, because of their size and range of activities, MNCs are often multi-level, where it is not rare to find diverging approaches and experiences in different business streams, subsidiaries, etc.

Besides company-specific features such as the nature of activities, extent of internationalisation and IR climate, which are key in shaping the EWC process, there are other factors external to the organisation that help to shape the context in which decisions are made. The *sector level* has an immediate impact on the organisation, life and performance of the companies (Pettigrew, 1990, McGahan and Porter, 1997). Indeed the sector level is particularly important because, as Hollingsworth et al.(1994:9)

argue, “sectoral regimes within nation-states are in turn influenced and transformed by international competitive pressures, which may well constitute one of the most important and independent sources of institutional change in the contemporary world of high interdependent national capitalisms”. In this sense, and following the propositions of earlier research (Smith et al., 1990; Arrowsmith and Sisson, 1999; Arrowsmith et al., 2003), the sector is considered an important reference point in this study. A ‘firm in sector’ (Kenis, 1992) approach is therefore suggested as the analytical framework in which the research presented in this thesis is conducted.

The importance attached to the sector does not mean that it is the only influence. A number of theoretical frameworks, such as the institutionalist (Whitley, 2000) or culturalist (Hofstede, 1991) approaches have stressed the importance of studying *national contexts*. An influential contribution is that of the ‘institutional’ school, which has been extensively explored through the ‘national business system’ concept (Whitley, 1992; 2000; Ferner, 1997).¹⁷ Later contributions within this school have acknowledged that the domestic national business system is not the only determinant of firm’s behaviour. In particular, as firms internationalise and depart from their home-based institutional context (as is the case of the firms examined in this research), additional driving forces such as host and international context matter (Belanger et al. 1999; Ferner, 1997; Ferner and Quintanilla, 1998; Ferner et al., 2001). Moreover, the effects and interrelation of the home, host and international context are likely to manifest themselves differently depending on the sector, each with its own structural characteristics and internal dynamics (Morgan and Whitley, 2003).

¹⁷ The idea behind the national business system is that the national state often serves as a confine for the existence of specific institutions, traditions and cultures, a combination of which generate distinct business systems, and help to configure the relations between the main actors within particular organisations and institutions at the different levels, as well as the relationships between this organisational and the external environment.

In the next Chapter the specific context of the UK and Spanish banking sectors, the sector and countries of this study, is explored. Among the institutional features to be examined are the market organisation and structure of the firms, the regulatory framework, the employment system, and the IR context, including the role of the state and of collective employee representation structures. All of these are mediating variables in understanding differences within firms.

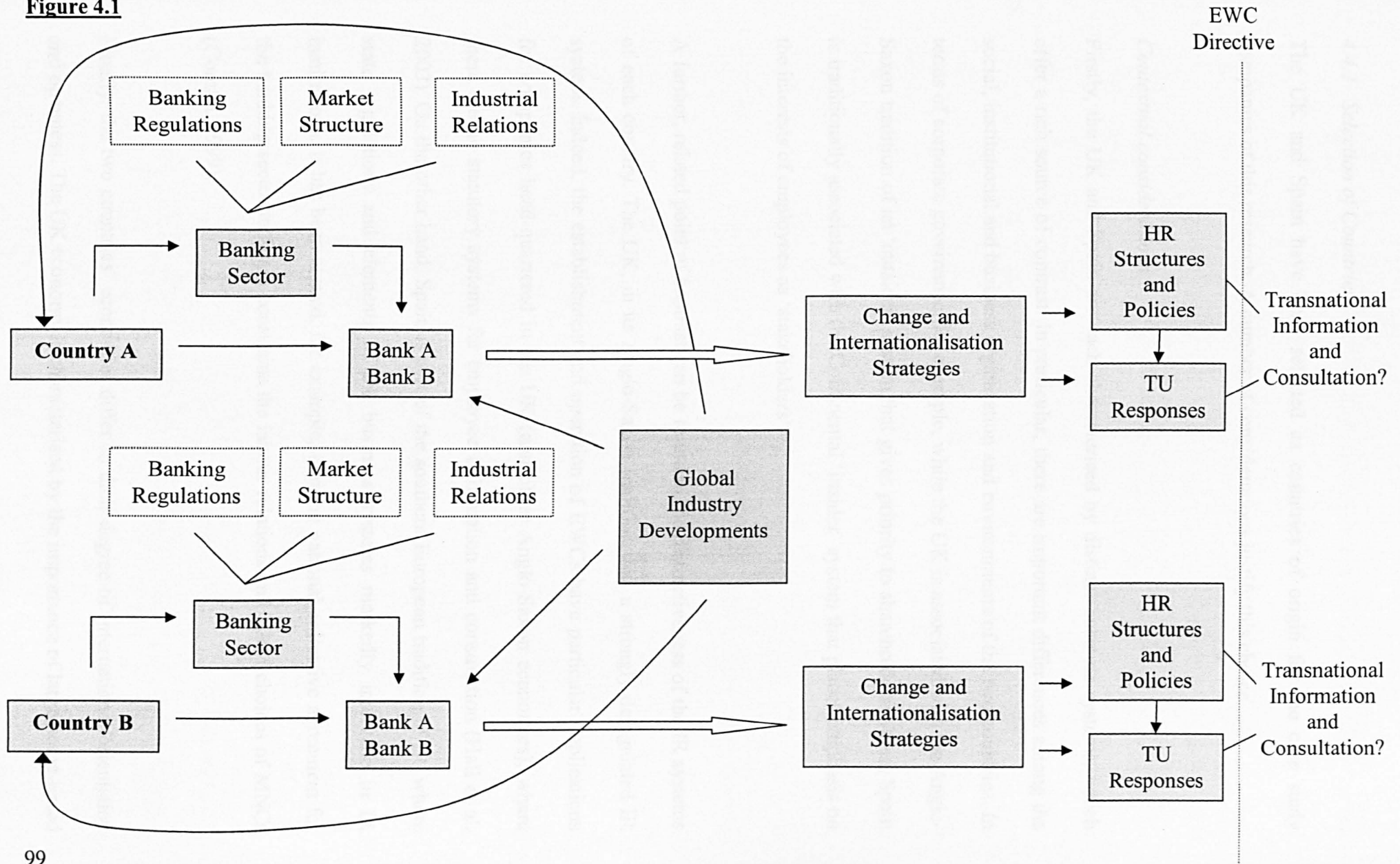
4.4 THE RESEARCH DESIGN OF THE THESIS

The empirical operationalisation of the study took the form of case studies in four companies. Out of the four main case studies, two were headquartered in the UK and two in Spain. All four were drawn from the banking sector.

Figure 4.1 illustrates the research design of the investigation. The consideration of four main case studies from the banking sector, and in two different countries, makes possible a multi-level analysis, as introduced in the previous Section. It also enables ‘within country’ as well as ‘cross companies’ comparison within a single sector. In particular, the selection of the firm as the main level of analysis allows an in-depth investigation of the company-specific factors identified in the analytical framework presented in Chapter 3.

A justification for the selection of the countries, sector and firms on which the study is based follows after figure 4.1.

Figure 4.1



4.4.1 Selection of Countries

The UK and Spain have been selected as countries of origin for the case study companies of this research. A number of considerations justify this choice.

Contextual considerations

Firstly, the UK and Spain are each characterised by distinct business systems, which offer a rich source of contrast. In particular, there are important differences among the social, institutional and business organisation and environments of the two countries. In terms of corporate governance, for example, while the UK is associated with the Anglo-Saxon tradition of an 'outsider' system that gives priority to shareholders' value, Spain is traditionally associated with the Continental 'insider' system that places emphasis on the interests of employees as 'stakeholders'.

A further, related point of contrast can be found in the distinctiveness of the IR systems of each country. The UK, in its Anglo-Saxon tradition, has a strongly deregulated IR system. Indeed, the establishment and operation of EWCs have particular implications for companies head-quartered in the UK (and other Anglo-Saxon economies), where there are no statutory systems for employee information and consultation (Hall et al, 2003). On the other hand, Spain is part of the southern European tradition of IR, where state regulations and elements of the business systems markedly intervene in IR institutions. It has been argued, for example, that the national collective agreement for the banking sector in Spain constrains the labour relations and HRM choices of MNCs (Comfia, 1999).

Finally, the two countries' economies differ in their degree of international orientation and openness. The UK economy is characterised by the importance of large home-based

MNCs, often oriented towards North America and Europe. This contrasts with Spain's economy, which until very recently had few home-based MNCs, with a very strong orientation towards Latin America.

Analytical considerations

The UK and Spain present an interesting analytical contrast in terms of the different impact of the EWCD at this stage. As described in Chapter 3, the compliance of companies affected by the EWCD differs markedly, with a compliance rate of 40% in the UK and 5,2% in Spain (Kerckhofs, 2002). This is despite the domestic system of employee information and consultation being acknowledged as less developed in the UK than in Spain.

Furthermore, this investigation redresses the comparative lack of case study research focussed on the operation of EWCs in UK- and Spanish- based firms. Indeed, while UK-based firms represent the third largest national total - 15% - among companies identified by the ETUI as having EWCs (*Ibid*), there is a particular lack of detailed case studies. Existing research in the area has tended to concentrate on mainland-European countries-of-origin, in particular on French- and German-based companies. Hence there is also very little reference to Southern European countries, and the lack of available studies of Spanish-based companies is striking.

Subjective considerations

An additional consideration in choosing the UK and Spain was the command of the English and Spanish languages by the researcher, a key factor in effectively understanding the different nuances of the languages in which interviews had to be conducted. Moreover, it should be stressed that the familiarity of the researcher with

both countries and cultures, having lived, work and studied for considerable periods of time in each of them, was a central consideration.

4.4 2 Selection of the Industry

The banking industry is the context of this study. The selection of all case study firms from a single industry enables comparison of business strategies and responses across firms facing similar environmental conditions and changes (Meyer et al., 1993; Fox-Wolgramm et al., 1998). While most studies on the establishment and operation of EWCs have focussed on the manufacturing sector, there is a relative lack of research focussed on service sector companies. This seems a particularly important gap given that the service sector currently dominates the economy of most EU member states.

Among services, the banking sector in Europe is extremely appropriate for a study around the establishment and operation of EWCs. The significant changes undertaken by the sector in both the UK and Spain, as described in Chapter 2, include its rapid restructuring, substantial technological transformation, and the important ongoing internationalisation and concentration process whereby a small number of banks are increasingly dominating the market. These changes make the sector especially interesting for the study of developments around transnational forums for the information and consultation of employees. Moreover, banking stands out among the private services sector as having relatively high levels of trade union organisation, something of particular relevance given the important role of trade unions in triggering the establishment of EWCs. Finally, the banking industry presents an interesting dichotomy worth exploring, and from which different responses might be expected. As Chapter 2 established, certain segments of the banking industry - for example retail operations - remain strongly driven by the national market and, more importantly, to a

large extent conditioned by national practices and regulations (European Commission, 1998). Quintanilla (1998:162), for instance, notes that “personnel policies and practices in Spanish banks are well rooted in the Spanish management style and the IR legal system, and also come under the strong influence of the banking industry labour practices”. Having said this, however, the drive towards a European single market and monetary union is undoubtedly presenting new challenges to the banking sector in Europe. As also stressed by Quintanilla (1998), in his in-depth study of management processes in subsidiaries of foreign banks in Spain, there is a clear trend towards decentralisation of collective bargaining while establishing new HRM policies at company level in multinational subsidiaries.

4.4.3 Selection of Firms

The selection of specific cases is important because of its implications for the research findings. Given the nature of the research and unit of analysis, the design entailed a matched comparison of the banks most likely to establish EWCs in both the UK and Spain. This implied a focus on the largest and most internationalised banks of each economy, and only on universal banks - according to the definition given in Chapter 2. The high concentration of the industry in both countries made the choice of case study companies limited, with the research sample reduced to four companies in Spain (BBVA, BSCH, Banco Popular, and La Caixa), and four in the UK (Barclays, HSBC, Lloyds TSB and Royal Bank of Scotland). From this initial sample, feasibility concerns surrounding the scale and timeframe of the study, alongside the nature of access links, meant that two banks were selected from each country. Hence, BBVA and BSCH are the Spanish-based main case study companies, whereas HSBC and LTSB are the UK-based main cases.

Two of the cases selected have set up EWCs (the two UK firms) whereas the other two have not (the two Spanish firms). In fact none of the Spanish banks affected by the EWCD had set up an EWC at the time this research was initiated. Since a central aim of this research is to improve understanding on the reasons behind the existence or not of EWCs, it is necessary to choose polar types as case studies, as they reflect opposites of the phenomena under investigation. In selecting cases that disconfirm patterns from early studies (e.g. firms with no established EWC, from different sectors, or from different countries of origin), it is intended to challenge chains of evidence by proposing chains of possible falsification (Yin, 1984; Whipp et al., 1989; Pettigrew, 1985).

4.5 RESEARCH METHODS

As already mentioned, the case study method was selected as the most appropriate approach to conduct this investigation on transnational company-level employee information and consultation arrangements. Four main company case studies were used. Fieldwork was also conducted in two further companies, also from the banking sector (Royal Bank of Scotland from the UK, and La Caixa from Spain). The information from these additional companies has been used to build knowledge and to support the analytical framework and findings, rather than being explicitly analysed in the text. In each of the cases a series of interviews were conducted with management and trade union representatives, at group and business division level. Interviews were also conducted with trade union officials at sector level. This was complemented by attendance to EWC-related meetings, internal documentation from the banks, and trade union and sector information.

4.5.1 Data Collection

Fieldwork was conducted between August 2000 and December 2002. Fontana and Frey (1994) distinguish between semi-structured, structured and unstructured interviews. The main research technique used was in-depth semi-structured interviews, with a view to investigating the underlying processes and discovering new areas related to the topic being researched. It was felt that structured interviews based on a questionnaire format would not allow attainment of the same depth of information as semi-structured interviews. Conversely, it was felt that unstructured interviews would not provide the necessary level of consistence to carry out an adequate comparison across cases. Interviews were conducted with a variety of respondents, whose answers were cross-checked to add validity to the information obtained. Additional information was also collected through other research techniques, with the aim of drawing on the different strengths of various data collection methods (Pettigrew, 1990), thus enhancing, triangulating and verifying the information from the interviews (Yin, 1994:92). These alternative sources of data included internal documentation from the banks and trade unions, relevant documentation about the banking sector both in the UK and Spain, internet-based sources including corporate and trade union internet pages, and specialist press. Internal documentation containing valuable speeches given by key members of the firms on strategic plans were also used, and further additional information was obtained through access to meetings related to EWC-activity; for example, employee-side meetings prior to the renegotiation of the EWC agreement. The collection of data was an iterative process, with various types of data often being collected simultaneously.

Given that the issues on which the research is focused were regarded as sensitive by company management, negotiation of access was in most cases protracted and arduous. It has been also widely acknowledged that access to top management in large

organisations is notoriously hard to arrange because of time constraints and the political nature of organisational life. It must be noted that a further difficulty was the lack of tradition for Spanish companies to cooperate with business researchers in qualitative research projects, alongside the national socio-cultural influence of several political and economic scandals that had taken place following the disclosure of confidential information (Quintanilla, 1998:102).

First contacts were made with trade union officials. In the UK, the research officer of the main banking and finance union, UNIFI, provided the contact names of trade union officials from the case study banks. These agreed to participate in the research, and provided a list of useful contacts (EWC members) that were later approached individually. The trade union officials also provided management contacts, who were also later contacted with different degrees of success. A two-page statement specifying the objectives of the research and access requirements was sent to those management identified. Access to the management of HSBC generally proved easier than to that of LTSB, although the latter was developed through the useful assistance of a Warwick-based research team who had recently conducted research in the Bank. The Spanish subsidiaries of both HSBC and LTSB were approached separately, and access was gained in both cases. In the case of Spain, contact details of both trade union officials and bank management were kindly provided by an earlier doctoral researcher at Warwick Business School. Again, as in the UK cases, management proved more difficult to agree access, also because in both of the two main case banks the management contacts provided were no longer at the bank. However, a written statement was again sent to other management members identified, and interviews arranged. Whereas access in BSCH was greatly facilitated by a specific manager, in BBVA the fact that the Group was going through an uncertain restructuring process

meant that the initial contact was less keen to facilitate wider access. To counter-balance this difficulty, the UK subsidiary of the bank was approached separately and access gained.

A total of 73 interviews were conducted, the majority of which were single one-to-one interviews; just two were conducted simultaneously with two individuals from the company. The number and distribution of the interviews case-by-case is depicted in Table 4.1, and the average interview lasted around one-and-a-half hours. Interviews with both management and employee representatives were conducted at different levels in order to provide a range of different perspectives to be contrasted (Pettigrew, 1990). On the management side, target interviewees were mainly management at central HQ and subsidiary level that were involved in EWC policy and practice. This included central HR and IR management, HR and IR management from the different divisions and subsidiaries, and general country managers.

Table 4.1: Distribution of Interviews by Company and Respondent Category.

Bank Main (Case Studies)	Management	Employee Reps.	TOTAL
HSBC	5	8	13
LTSB	5	8	13
BSCH	7	7	14
BBVA	4	7	11
<i>Sub Total</i>	21	30	51
Bank (Other)	Management	Employee Reps.	
La Caixa	3	4	7
RBS	0	8	8
Barclays*	0	3	3
Other			
Unifi, UK		1	1
Spanish Banking Union Federation - Comfia, CCOO		2	2
Spanish Banking Sector Federation - Fes, UGT		1	1
TOTAL	23	49	73

* A limited number of interviews were also conducted with trade union officials and representatives in Barclays Bank.

On the employee side, interviews were also conducted at different levels, with interviewees ranging from current and ex-EWC delegates (both union and non-union members), full-time officers involved with EWCs, and trade union officers in the banking federations in charge of sector policy and developments. Efforts were made to achieve a balance between management and employee representatives in each company, as well as with regards to the interviews at the different levels within each category (see Table 4.2). However, it was evident that the personnel with the relevant tacit knowledge varied across the cases. Furthermore, internal documentation and archival material obtained from each of the cases presented slight variations. In the case of BBVA where a fewer number of interviews with management respondents were conducted, access to more detailed and extensive internal documentation was gained. This in turn facilitated relevant information to a similar level than in the rest of the cases.

Table 4.2 : Distribution of Interviews within each Case Study Firm.

Company	HSBC	Lloyds-TSB	BSCH	BBVA	RBS	La Caixa
Management						
Group HQ	2	2	4	2	0	3
Divisional	2	2	3	0	0	0
Subsidiaries	1	1	0	2	0	0
<i>Subtotal</i>	5	5	7	4	0	3
Employees						
Full-Time Officials	2	3	4	4	4	3
National Rep.	3	2	1	1	4	1
Local	2	2	2	2	0	0
Subsidiaries	1	1	0	0	0	0
<i>Subtotal</i>	8	8	7	7	8	4

Interviews were conducted at different times during the eighteen-month period of fieldwork. The sequencing of interviews was designed to allow information obtained in earlier interviews to refine the next set of interviews and to ensure an understanding of emerging issues. Likewise, data collection at different periods captured the evolution of

the companies in response to various internal restructuring processes and ongoing internationalisation. There was a limited number of follow-up interviews, where second interviews were conducted with previous respondents. These were pursued where it was felt that further data needed to be obtained to clarify, improve and complete previous information (Jones, 1991). A general interview pro-forma was designed following the analysis conducted through the literature review, and then slightly adapted for the different contestants' categories and areas of responsibility. The interviews focused on the group's activities and structure, the general organisation of the HR function (including the degree of integration of the HR function and policies across countries), the extent of information and consultation, negotiation within the firm, and the overall process of constitution, operation and evolution of the EWC.

Interviews were conducted in English and Spanish. In research that spreads across two different cultures careful consideration must be given in selecting the language. In this case, it was imperative to conduct the interviews in both English and Spanish, as otherwise it would not have been possible to interview such a range of respondents. However, it was also felt that this was the best strategy. The researcher is fluent in both English and Spanish, and interviewing in both allowed respondents to feel comfortable in expressing exactly what they meant in their own language, and simultaneously facilitated a more accurate interpretation of their actual thoughts on issues. All but six interviews were tape-recorded. Where tape-recording was not allowed, the researcher took extensive notes. The interviews were fully transcribed by the researcher in order to avoid misunderstandings and capture the spirit of the interview.

4.5.2 Data Analysis and Interpretation

The analysis of data and its interpretation in qualitative studies is arguably the most challenging stage of the research (Yin, 2003). In order to avoid problems associated

with the extensive amount of data involved in qualitative research, the approach followed has been guided by Huberman and Miles (1994), who break the process into three stages: data reduction, data display and drawing and verifying of conclusions.

Data reduction was achieved through the coding of the information into broad categories and subsequent sub-categories, following those established in the interview pro-forma. In order to display the data, it was decided to organise and structure the information by writing issue-organised chronological case studies (Eisenhardt, 1989; Huberman and Miles, 1994) through which to offer an extensive description of each firm while at the same time avoiding the lack of conceptual and theoretical integrity (Doz and Prahalad, 1991). The next step in moving from description to explanation involved a cross-case analysis, again drawing in the categories and sub-categories established in the interview pro-forma and case study write ups. In order to assist this process, facilitating a preliminary comparison of the cases, a specifically designed database (including comparison tables) was created.

Many researchers experienced in comparative case study research have acknowledged the untidy iterative nature of the research process (Strauss, 1987; Van de Ven et al., 1989). During the course of this research continual cross-referencing was undertaken between the case data and the relevant literature, to ensure the development and refinement of an appropriate analytical framework. This is in line with literature that suggests a strong relation between inductive (data driven) and deductive (theory-driven) forms of analysis (Eisenhardt, 1989; Huberman and Miles, 1994). The use of existing software packages such as NUD*DIST or NVIVO, designed for facilitating qualitative data analysis, were considered for providing assistance in this complex research process. However, while such tools are particularly helpful with data storage, searching and

retrieval, they cannot replace the process of intuition, the 'artistic part' of the research process. This can only take place in the researcher's mind (Webb, 1999). In the course of the research it was felt that considerable familiarity was achieved through the continual handling of the data by the researcher (through the design, conduct, transcription, reading and re-reading of interviews), something that has been suggested to form part of the analytical process itself (Morison and Moir, 1998:115). A further issue to be considered is the kind of research being undertaken and how applicable any computer package is in relation to the perspective and methods adopted. In this case, the collection of interview data in English and Spanish meant that a computer programme would have been inappropriate as an analytical tool, as it cannot replace the understanding of different nuances in the language of the primary researcher.

4.6 CONCLUSION

This Chapter has considered the meta-theoretical underpinnings and related methodology for addressing the analytical framework set out in the preceding Chapter. The fieldwork of this research has been conducted using a research methodology based on comparative case study research of four main cases, in one industry and two countries. A long process of data collection has made possible the collation of a set of valuable and not easily accessible data on which this study is based. The data collection process has been successful since it has facilitated analysis that meets the aims of the study and will hopefully contribute to ongoing research in this field.

Nonetheless, in any research it is important to be aware of the traditional criticisms concerning the validity and reliability of the findings. In particular a danger in conducting interpretative qualitative research is that the researcher might inadvertently influence the outcome by introducing his/her own opinions and beliefs. In previous

Sections there are references to how the researcher has developed a systematic procedure for designing and conducting the research and therefore minimise the risks of incurring such a problem. Among the mechanisms used to ensure trustworthiness in this study have been: a purposeful research design, including careful selection of countries, industry and cases; the use of multiple sources of evidence and data triangulation; pluralism of informants; tape recording and transcription; deductive and inductive processes between theory and practice; exposure of case reports, analysis and findings to key informants and experts in the area; and presentation of conference papers to peer academics and practitioners.

With regards to the potential generalisation of the research findings, it is not the aim of this research to claim statistical representativeness, but rather ‘analytic generalisation’ (Yin, 1994). By developing and testing an analytical framework aimed at understanding the existence/non-existence and operation of EWCs, the emphasis has been on generalising about the meaning, not the frequency, of the subject of research. The next Chapter opens with an overview of the UK and Spanish banking sectors, the context of the case companies of this research.

Chapter 5

THE BANKING INDUSTRY IN THE UK AND SPAIN

5.1 INTRODUCTION

While company-specific features are important in shaping EWC developments, a number of features common to other large firms that shape a shared sector and country context for decisions must also be considered (Smith et al., 1990). The importance of sector is shown in an emerging strand of literature in comparative IR that highlights increasing variation of industrial and employment systems within countries according to sector and company differentiation, whilst there is a simultaneous convergence at these levels across countries (Ferner and Hyman, 1998; Katz and Darbishire, 2000; Marginson et al., 2003). In this Chapter the institutional context of the banking sector in the UK and Spain (the home countries of the case study firms) are analysed, since they are considered an important mediating variable in understanding differences among firms. Among the institutional features to be examined are the market organisation and regulatory framework, the structure of the firms, the employment system, and the IR context, including collective employee representation structures.

The Chapter is structured as follows. Section 5.2 briefly introduces broad developments in the banking sector at European level, key to understanding the current situation of the UK and Spanish banking sectors. Sections 5.3 and 5.4 elaborate respectively on the features of the UK and Spanish banking sectors. Finally some conclusions are drawn.

5.2 EU DEVELOPMENTS IN THE BANKING SECTOR

As seen in Chapter 2, the banking and financial services industries in the EU have undergone significant restructuring over the last two decades as a result of two main factors: the introduction of new ICTs and deregulation.

New technology is leading to changes in both the range of products/services delivered and their distribution channels. The financial sector is becoming an increasingly integrated industry with a trend towards products that satisfy mass needs (e.g. mixed products combining credit, saving and insurance). Regarding changes in distribution channels, the widespread introduction of cash machines, telephone and Internet banking have paved the way to automation. In most countries, banks now offer routine banking services by telephone or Internet, dealing with these enquiries from call centres rather than a particular branch (Sisson and Marginson, 2000:41).

Deregulation processes have been especially significant in the European context given the moves towards EU integration, a landmark of which was the 1985 Single European Act which established the commitment of EU countries to complete the liberation of capital, services and goods by the end of 1992. Further deregulatory measures include the removal of all remaining controls on capital flows through the 1988 Directive on Capital Flows, and the removal of barriers which had hitherto limited the roles of the different types of credit institutions through the 1989 Second Banking Directive (Vesala, 1993). The implementation of the EU Directives and regulations in the member states has taken place at differing speeds in the different countries, affecting more lightly regulated countries such as the UK to a lesser degree than countries such as Spain, where fewer deregulatory measures had been already taken.

5.3 THE BANKING INDUSTRY IN THE UK¹⁸

5.3.1 *Market Organisation and the Structure of Banking Firms*

UK banking has a long tradition as a premier financial centre and it is among the most internationalised banking sectors in the world. The UK ranks fourth on the list of countries with the highest number of global banks; there are four, with total assets of US\$ 1,103,802 million (Lawlor and Serrano del Rosal, 1999:142, Table 6.1). In terms of the number of resident non-EU banks, the UK ranks first in the EU with a total of 170; Germany lags far behind as second with 91 (*Ibid.*:142, Table 6.3). The sector is indeed very important to the UK economy, with more than 7% of GDP generated by banks and insurance companies (Canals, 1993:145). High internationalisation is a result not only of British political leadership at international level in the 1900s, but also of a traditionally relaxed approach to financial regulation. Further liberalisation took place in the 1970s and 1980s; while a key measure was the liberalisation of capital flows in 1979, it was in the 1980s that the bulk of reforms took place. Formal measures such as the Financial Services Act and the Building Societies Act, both in 1986, as well as less formal policy relaxations, lead to dramatic changes in the UK financial services sector during this time (Anderton, 1995:7).

Concentration characterises the UK banking sector. Despite the proliferation of a large number of banks in the nineteenth century, low interest rates and customer preference for banks with large capital resources following the 1890 Baring Crisis meant that by 1920 a handful of clearing banks already controlled two thirds of the country's banking resources (Orbell, 2001:7). Gradual consolidation followed in the 1930s, in the 1960s as a result of the relaxation of long-standing official constraints, and in the 1990s. The big

¹⁸ While some statistics refer to Great Britain (England, Scotland and Wales) and some to the UK (which also includes Northern Ireland), for the purpose of this thesis I refer to them indifferently given that the differences can be ignored for the analysis of IR (Hyman, 2001:111).

four clearing banks, Barclays, Lloyds TSB, Royal Bank of Scotland-Nat West and HSBC (previously Midland Bank), account for around half of total UK banking employment (Storey et al., 1999). Such a consolidation process has meant a domination of national banks as opposed to regional players, which while they do exist, are less prominent than in other countries.

The wide ranging spectrum of financial institutions in the UK can be divided into two large groups. On the one hand there are commercial, merchant, and 'other' British banks. On the other there are building societies and national savings societies (Canals, 1993:154). Foreign banks also play a leading role in the British banking system alongside the large retail banks and building societies (*Ibid.*: 154). Compared to other European countries, the UK system is characterised by a lack of tradition of 'universal banks' (large scale, joint-stock, mixed banks); indeed in the decades leading up to World War One the British financial system was the most specialized (Fohlin, 2000:1). It is only in recent years that traditional demarcations have been notably eroded, as banks have widened the range of products/services offered to compete more actively with each other and with other financial institutions. While when widely defined the UK banking sector includes a whole range of institutions, for the purposes of this thesis I will use a narrower definition, embracing only the commercial banks that undertake a mix of personal retailing and investment banking services and commercial lending.

Finally, a key characteristic of the UK banking system is a highly developed stock market and an 'arms-length' relationship between banks and industry; the latter mainly obtains funding through the stock market. As a result, UK firms are associated with the 'outsider' system of corporate governance, based on the importance of shareholders and an emphasis on short-term financial returns (Marginson and Sisson, 1994). In terms of

the implications for HR and IR practices, the British system has led to high levels of decentralisation of decision-making at subsidiary levels, with control and coordination primarily taking the form of performance management systems and strictly limiting total labour costs (Quintanilla, 1998:136).

5.3.2 Trends in the UK Banking Industry

In contrast with much of the wider UK economy, the banking sector has been characterised by a marked degree of stability up to the 1980s. It was a regulated industry with continuous growth and high profitability, which in turn offered secure employment and paternalistic welfare-oriented employment conditions (Storey et al., 1999). This general picture has significantly changed in the last two decades, when increased levels of competition have led to new tensions that have destabilised previous practices. Lifetime employment, growing levels of employment and paternalistic welfare cultures have been substantially replaced by less-secured contracts, widespread redundancies and sales-oriented practices and policies.

A number of factors account for the increased levels of competition affecting the UK banking sector, deregulation and the introduction of new technology being the most prominent ones. The relaxation of regulatory measures has blurred, for example, the distinction between banks and other financial and non-financial institutions by liberalising the range of activities in which the latter can engage. Building societies are now allowed to offer similar products to traditional banks and some of them have even converted to banks with PLC status. Similarly, the emergence of other competitors such as supermarkets and other retail firms has put increasing pressure on banks' profit margins. A second major phenomenon has been the introduction and extensive use of information and communication technologies, which has caused further reorganisation

of the industry, both in terms of products and channels of delivery. In this sense, the use of new technologies is also partly responsible for helping new entrants to retail banking markets (Storey et al., 1999).

Cressey and Scott (1992) argue that technical innovation has occurred in two phases. The first was primarily concerned with process development, involving the automatising of back-office administrative work and development of the cash machine network. The second phase has been increasingly concerned with transforming the scope and nature of the product/service range as well as the ways in which these are delivered. The widespread introduction of cash machines and telephone/Internet banking has reduced the need for an extensive branch network. It is now commonplace for high street banks and financial providers to offer a wide range of products on-line or through 24-hour call centres. It has been estimated that around 390,000 people work in call centres in the UK, a substantial proportion of which is in the financial sector (Sisson and Marginson, 2000:41). One important implication of this is the changing role of bank branches, many of which have evolved to what Wilson (1992) calls 'finance shops', with more staff and resources concentrated in sales driven activities. As a result, reductions of the branch network and staff numbers have taken place, particularly in the 'big-four' clearing banks, which had the largest branch networks (Storey et al., 1999).

The transformation and turbulence of the market context was compounded by recession in the early 1990s, which resulted in increased pressure to develop labour flexibility in order to compete in a more competitive market (Carter, 1992). Banks have thus been forced to respond to these challenges with intensive cost reduction strategies, leading to widespread job cuts in the industry and changes towards more flexible and performance related remuneration systems

5.3.3 *The Employment System and HR at Company Level*

The historical British institutional context, with high voluntarism and the absence of a legal framework shaping employment systems and work organisation, has been well documented in the literature. However it can also be claimed that alongside generalised features there is variation between sectors. Indeed, until very recently the UK banking industry and its employment system diverged from the wider UK economy (Storey, 1995). For most of the post-war period, when the industry operated within the context of steady growth and high profitability, the banks “offered life time employment, structured careers, and paternalistic and welfare-oriented personnel policies” (*Ibid.*: 25).

The current tight economic situation and financial pressures faced by the UK banking industry has meant that this state of affairs has been reversed. Recent changes in the employment practices of UK banks have been extensively documented in a number of studies (Storey, 1995; Storey et al., 1997, Lawlor and Serrano del Rosal, 1999), with overarching trends being job cuts and increased flexibility. Greater competition and reduced margins have led to cost reduction practices in which more flexible personnel practices are key, introduced, for example, through changes in grading and job classifications, and through market-driven and individually determined reward systems. Indeed, Lawlor and Serrano del Rosal (1999) argue that the UK has been a pioneer regarding systems of individual performance related pay. There is a trend not only towards an increasing proportion of the overall pay that is variable and performance-based, but also to such practices affecting a greater proportion of the total workforce, including lower administrative and managerial levels. Another move towards higher flexibility can be seen in changes to recruitment practices, where there are increasing levels of part-time or temporary workers, often outside the remit of formalised employment and IR arrangements. In connection with this, a trend towards segmentation of recruitment practices and the workforce in general has taken place in

major British banks; in particular, a division between core and non-core staff has determined two distinctive sets of terms and conditions of employment as well as training and development opportunities. Working time has been a further area of increased discretion in the HR agenda, with more flexible arrangements and unpaid overtime at business level to accommodate to the nature of the business. Overall, this shift has led to a marked individualisation of the employment relationship, in an attempt to reduce overall costs while maintaining direct employee commitment (from the core staff in particular) to the bank (Thornley et al., 1997).

5.3.4 The IR Context and Collective Employee Representation

There is general agreement as to the key features of the British system of IR: the importance of history and tradition in the configuration of its characteristics; the limited state intervention in solving conflicts between actors; the minor importance of legal regulation; and the vital role of the workplace in the collective bargaining sphere (Hyman, 1995; Edwards et al. 1998). The limited statutory provisions have led to considerable 'voluntarism' in British IR; the extent and nature of any IR and collective bargaining at firm and sector level is primarily left to the will of the relevant employer organisations, individual company management and trade unions. Nevertheless, this voluntarist character has been severely eroded in the past 20 years or so. Two main reasons can be put forward. Firstly, Conservative legislation during the Thatcher period aimed at undermining trade union organisation, activity and collective bargaining rights which previous governments had established (Edwards et al., 1994; McIlroy, 1995).¹⁹ Secondly, a growing body of statutory regulations, particularly since the 1990s, as a result of the requirements of EU directives and rulings of the European Court of Justice (Edwards et al., 1998:15). Despite the prospects of further EU intervention, which is

likely to mean future changes in UK law and practice, there is not yet a strong regulatory framework that governs collective employment relations. Much still depends on firm-level choices.

Employee representation in the finance sector has changed from the traditionally divided (according to profession and function) staff representation which characterised the finance sector until in the late 1970s.²⁰ Unifi is the largest finance union and was created in 1999 as a result of the merger of three unions: BIFU; the Nat-West Staff Association; and Unifi (Barclays Bank Staff Association). In line with the non-politicised nature of unions in the UK (Lawlor and Serrano del Rosal, 1999), there has recently been further alignment in the workings of a number of unions in the finance sector, as part of what Gall (1997) refers to as ‘unionateness’ of the unions. For example, the National Union of Insurance Workers and MSF merged in 2000, and Unifi and MSF have engaged in closer working bi-lateral relations (Gall, 2001). However, this is not to say that there is no competition between trade unions in the banking sector, in particular between staff unions and trade unions, whose relationships have been characterised by continuous rivalry (Storey, 1995; Morris et al., 2001). Most, but not all, trade unions and staff associations in banking are affiliated to the TUC, the main trade union confederation in the UK. In contrast to the Spanish case, the TUC acts more as an ‘umbrella’ organisation rather than a directly higher hierarchical body to the member trade unions (Hyman, 1995), and has no real power to negotiate collective agreements.

When compared with other sectors of the economy, the banking sector continues to have extensive recognition of trade and staff unions for representation, consultation and

¹⁹ A series of employment acts in the 1980s aimed at curtailing trade union action meant that in the 1980s and 1990s a significant change from collectivism to individualism dominated the IR sphere throughout the UK, with an even weaker trade union movement with little legal protection.

²⁰ Although sector or industry demarcations tend to continue, particularly in sectors such as civil service, construction, communication or banking, the tendency is towards generalist unions, a category to which the five largest unions in the UK belong. This structure reflects a series of past mergers.

collective bargaining (Cressey and Scott, 1992; Storey, 1995). Gall (1999:126) points out that union density in the UK banking sector has remained resilient despite the reduction in total employment and total membership, with around 48% density in the late 1990s (Cully and Woodland, 1997). This compares with an average union density in the UK of 37% (Storey, 1995:30).

On the employer side, firms in the banking sector are organized in the British Bankers Association (BBA), which is in turn part of the Confederation of British of Industry (CBI), an association that covers UK employers across sectors.

National collective bargaining in the banking sector in England ceased in 1987 following the withdrawal of employers and the dismantling of their employers' association (Federation of London Clearing Bank Employers). Therefore, collective bargaining, where it occurs, takes place at company level between trade unions and employers. As Müller-Jentsch and Sperling (1995) point out, company level collective bargaining allows employers to exercise greater discretion in the introduction of changes related to business restructuring. For most of the post-war period, IR in the British banking sector was relatively harmonious due to the oligopoly market model and national wage bargaining, which minimised competition for labour (Storey et al., 1997). Nevertheless, because of new competitive pressures, traditional 'orderly, peaceful and centralised' IR in the banking sector gave way to considerable union-employer tensions in the 1990s, moving towards conflict and adversarial relations (Snape et al., 1993, Storey et al., 1998). More recently, however, the end of the 1990s and beginning of the present decade has seen a further change of tendency, this time from adversarialism to cooperation and partnership. Gall (2001:355), for example, reports 14 union-employer 'partnership' agreements in the UK banking sector since 1997, the highest concentration of this type of deals in any economic sector in the country.

5.3.4.1 Workplace Representation and Employee Information and Consultation

The historical voluntarism of British IR has meant that there is no legal system for workplace representation in the UK.²¹ For representation to exist there must be agreement from the employer to negotiate or consult with one or more unions over issues affecting the workforce. Collective bargaining has traditionally been a key regulating element of the employment relationship, and within this framework it is often problematic in banking to consider negotiation and consultation as separate spheres, as both activities often take place through the same channel.

Workplace and company representation in the UK banking sector occurs through trade unions. Along with the dominant role of trade unions, IR in the sector is characterised by a loose relationship between those representing and the constituency represented, a situation which differs from the traditional concept of employee representation in the UK. There is a generalised move among finance unions towards the idea of individual representation, shifting away from the interest of collective representation.

Since the 1970s, legislation has emerged to regulate information and consultation of employees in the UK, although the areas covered remain limited to specific issues such as collective redundancies, transfers of undertakings, collective bargaining, health and safety, occupational pensions and EWCs. The forthcoming European Company Statute (approved in October 2001, and expected to come into force in October 2004) will complement existing requirements. Similarly, the 2002 EU Directive on Information and Consultation (EU 2002/14/EC), establishing a general framework for informing and consulting employees in the EU, needs to be transposed into national legislation by

²¹ An exception is the existence of legal provisions for the existence of workplace safety representatives (1974 Health and Safety Act) and for the disclosure of information to trade unions with which the employer conducts collective bargaining (Employment Protection Act 1975) on a number of issues. Legal provisions also exist on the area of consultation over redundancies.

March 2005 and is expected to bring further changes.

A combination of restructuring and mergers in the industry within a deregulated and increasingly competitive marketplace put pressure on previously cooperative IR. However, increasing workforce rationalisation and the election of a Labour Government in 1997, has fuelled interest in 'partnership' agreements within the industry (Waddington, 2001b). Whereas Barclays bank is perhaps the most salient example of a *formal* partnership agreement, a more general approach across the industry to management-union partnership relationships has been more implicit, through a shift away from the traditional adversarial approach. Trade unions have seen the need for a new approach to IR in order to achieve membership gains and the extension of unionisation (Earls, 2002). A recent survey among Unifi members found that members report better experiences on a range of issues including job security and satisfaction where management is positive about the union in their workplace (Cowie and Earls, 2001).

5.4 THE BANKING INDUSTRY IN SPAIN

5.4.1 Market Organisation and the Structure of Banking Firms

The last 25 years have been a period of radical transformation and modernisation for the Spanish banking sector. As was more generally the case across the Spanish economy during the Franco regime, the banking sector operated under strong state intervention and regulation, and was protected from external competition. Both factors are partly responsible for the traditionally high levels of fragmentation in the industry, which was formed by large numbers of small and medium-sized firms (Carreras and Tafunell, 1996; Crouch, 1993), and also for the low levels of innovation in the sector (Caminal et al., 1990). During the mid-1960s the first steps towards deregulation occurred. The removal of barriers to applying for a banking licence resulted in the creation of a large

number of new banks. However, the weak financial and management situation of the majority of these banks led to a series of crises during the 1970s and early 1980s, resulting in a cycle of mergers and acquisitions (Cuervo, 1988). This was the beginning of an intense process of concentration in the industry, a consequence of the economic crisis; Spanish banks grew in pursuit of appropriate scale to achieve greater efficiency.

Spain's gradual opening to foreign operations and markets was accompanied by a wave of liberalisation in the banking sector. Deregulation included the removal of some entry barriers to foreign banks in 1978, the removal of barriers in 1988 which had restricted the operations of the saving banks in other than the confines of their native geographical regions, and the liberation of capital flows and interest rates.²² In parallel to this, in the late 1970s and early-mid 1980s many small and medium-sized banks were gradually bought by larger banks, contributing to an enlargement of firm size that precipitated the big mergers and acquisitions of the following two decades.

The entrance of Spain to the EU in 1986 and the beginning of the European Single Market in 1993 are two further landmarks in the liberalisation of Spanish banking. The removal in 1993 of the last limits to the establishment of operations of foreign banks in Spain meant further market competition and concentration within the sector. By the end of 1996, the ten largest Spanish banks accounted for 70% of the sector's total assets (Migueluez et al., 1999:223). Furthermore, the largest market players realised the need to increase their international presence in order to remain competitive in an increasingly globalised sector. In the last ten years the main Spanish banks have pursued intensive internationalisation strategies, particularly directed towards Latin America, where the precarious political situation has facilitated the acquisition of numerous ex-nationalised

²² For a more detailed account of the deregulation process of the Spanish banking during the 1970s and 1980s, see Migueluez et al. (1999: 224-225).

banks. Recent figures place Spain ninth in the list of countries with the highest number of global banks, a total of three banks and US\$370,386 million of assets (Lawlor and Serrano del Rosal, 1999: Table 6.1). On the other hand, the legacy of historical protection from foreign competition still partly explains the low ranking of Spain in terms of the presence of non-EU foreign banks (*Ibid.*: Table 6.3). Cultural factors such as the priority to retain personal contact through extensive branch networks has become a significant entry barrier to foreign banks (Canals, 1996).

Along with high concentration and the dominance of a few large players, a key characteristic of the Spanish banking sector is the increasing importance of savings banks, in particular following the deregulatory processes of the late 1980s and 1990s. Although savings banks still maintain significant differences in terms of, for example, corporate governance (employees have representation on the company board), they have become important competitors to traditional banks. Whilst the Spanish banking sector is dominated by three main banks - BSCH, BBVA and Banco Popular - a 1997 ranking places three saving banks - La Caixa, Cajamadrid and Bilbao Bizkaia Kutxa - among the top ten financial institutions in Spain (García Marco, 2000). Contrary to the banks, however, and because of the historical barriers to geographical expansion of savings banks, the internationalisation strategy of these institutions remains notably less developed.

The dominance of small and medium-sized firms in most of the Spanish economy has meant that firm control and co-ordination systems have remained very centralised, “leading to confusion in many cases between management and ownership” (Quintanilla, 1998:137). The often family orientation and limited size of firms, combined with the lack of tradition of management education, has encouraged paternalistic management styles, which has been prevalent in Spanish banks until recently. Market

internationalisation, however, is altering some of the previous features of Spanish banks, with a rapid shift to more sophisticated internal control systems (*Ibid.*:137). The larger Spanish banks, as leading firms in reaching international markets, are also responsible for significant innovations in the HR/IR areas, which are converging with dominant practices in industrialised countries.

5.4.2 Trends in the Spanish Banking Industry

The Spanish banking industry operated under significant protection until the 1970s. Two main factors appear as driving forces behind substantial and rapid changes over the last 25 years; the liberalisation processes and the introduction of new ICTs, both of which have contributed to the stimulation of competition. As a result of new technologies banks have significantly diversified the range of products and services offered, including, for example, the widespread provision of insurance products through the branch network. Alongside this, there have been notable changes in the forms of delivery; for example, the number of ATMs per 10,000 increased from 3.9 to 6.4 only during the 1990-1994 period (Lawlor and Serrano del Rosal:147). Nevertheless, it should be noted that different strategies have been followed by different parts of the sector. Whereas the implementation of new technologies has been a tool for the modernisation of traditional banks, helping them to reduce their extensive branch networks, for saving banks it has been a vehicle for innovation, since it has coincided with their main expansion period (Migueluez et al.,1999). In the case of the former, paternalistic, hierarchical and bureaucratic structures have been largely replaced by modern and efficient organisations where lifetime employment is no longer a key feature. Indeed, one of the main impacts of this re-organisation has been a downward trend in employment from 1979, when there were 179,382 banking employees. In 1996 figures had dropped to 141,640 (*Ibid.*:232), and in only the nine-year period from 1991-

1999 employment in traditional Spanish banks decreased by 37,735 or 24.7% (*La Nueva España*, 11/9/2000). These figures are, however, countered by the increase in employment levels in savings banks; these rose by 22.7% in the same period, coinciding with the expansion strategies followed by this category of firms (Miguelez et al., 1999).

Falls in employment have been accompanied by branch restructuring, although in Spain banks do not seem to have abandoned the strategy of proximity to their clients to the same extent as in other European countries, including the UK. However, although the number of branches per capita is still relatively higher in Spain, the average number of employees per office has dropped significantly, from 14.66 in 1979 to 8.02 in 1999 (Miguelez et al., 1999:232). Subcontracting certain bank activities - in particular administration or IT - is another strategy employed in order to balance the less administrative role of branches. Subcontracting and the use of temporary agency workers has been an increasing trend among large Spanish banks, a strategy which partly eludes the rigid legislative framework guaranteeing statutory protection rights against dismissal of permanent staff. Extensive rationalization processes are also associated with lower levels of recruitment, and new hiring is particularly directed towards young people, who have higher training and greater capacity to adopt new working practices and technology. In Spain, new recruitment has been reported to be higher in banks pursuing expansion strategies (e.g. saving banks) as opposed to traditional banks of larger size (*Ibid.*: 230).

5.4.3 The Employment System and HR at Company Level

Traditionally the Spanish banking industry has operated within the context of protectionism and significant intervention mechanisms (Miguelez, et al., 1999:223). In consequence employment in the sector was characterised by paternalistic and welfare

oriented policies, where life-time employment and structured career progress on the basis of seniority were the norm. The substantial transformation of the industry in recent decades has had a significant impact in terms of employment and personnel practices in Spanish banks. Alongside a relaxation of labour legislation, the greater international exposure and innovation capacity of large Spanish banks in particular, has meant that they have led the introduction of a number of personnel practices later followed by the sector as a whole. As with the UK case, welfare-working practices are progressively being replaced by less secure contracts, employment reduction and sales and performance oriented HR practices. Nevertheless, enduring institutional limits, such as the legalistic nature of the employment relationship and regulation over job category classifications through sector collective bargaining agreements, have shaped the extent and nature of the impact. An important impact in terms of the employment system has been the significant growth of flexible means of employment to circumvent the rigidities of current legislation, which has resulted in a marked dualization of employment whereby the effects of variability of the economic cycle have impacted to a greater extent on temporary workers (Richards and Garcia de Polavieja, 1997). This has materialised in diverging HR policies, with lower conditions, often outside the collective bargaining framework, aimed at temporary staff.

Generalised staff decreases in Spanish banks have taken place mostly through voluntary redundancy schemes, often aimed at long-service, pre-retirement staff. This is mainly due to the strength of trade union rights and the potential social unrest which more dramatic measures would cause given the importance of the banking sector in the Spanish economy. It is also worth noting that the association between female employees and lower paid/part-time work is a feature of Spain (Carrasquer et al., 1996) in a similar way to the UK (Baethge et al., 1999:143). Moreover, while working time is regulated

and established through collective bargaining at industry level, attempts to introduce flexibility have implied that the use of unpaid overtime is not infrequent. This is particularly the case among medium and higher level employees subjected to new payment methods such as performance-related pay. Overtime, and its association with higher commitment, is seen as a means of exerting pressure on employees, with a view to extending temporary contracts, converting temporary into permanent employees, and even determining future promotions. The fact that overtime pressure plays such a central role in this is especially important given the trend towards increasing proportions of high-skilled employees in relation to the total number of employees; often these groups tend not to be members of trade union organisations. Directors and specialists accounted in 1996 for more than 50% of the total workforce in the Spanish banking sector (Migueluez, et al., 1999:238).²³

Companies in both less regulated countries such as the UK (Gall, 1997) and those with more extensive legal provisions such as Spain are increasingly moving away from national and homogeneous pay rates and systems. Despite the existence of sector collective agreements - increasingly turning into framework accords - in the Spanish banking sector, banks of a larger size, and thus more likely to have operations in foreign markets, are establishing their own company agreements, with sector collective bargaining affecting mostly smaller banks (Sisson and Marginson, 2000).

5.4.4 The IR Context and Collective Employee Representation

The current Spanish system of IR has a relatively short history. Its creation can be traced to the end of the Franco dictatorship in 1975 and the advent of democracy. The

²³ Furthermore there have been signs of firms moving the more standardised activities performed by low paid/skilled employees (e.g. in processing centres) to other countries with lower labour costs. For example, HSBC has recently moved back office activities previously undertaken at bank branches to a centre in China (Sisson and Marginson, 2000:63).

1978 Constitution lays down the right to organise in a trade union and the right to collective bargaining between employers and employees, and the key role now played by 'social partners' had its origins in the period of '*social concertation*' between 1977 and 1986 (Martinez Lucio, 1992:483). This refers to the inter-relation of state, unions and employers at national level during a particularly complex time in which not only the basis of the current system of IR was being defined, but also the basis of democratic Spain (Ortiz, 1999). Social concertation led to the conclusion of several agreements and a number of concessions to trade unions (such as economic benefits and trade union rights) which remain today. The importance of national IR also remains today; company level IR is generally overshadowed by agreements at sector level, with the exception of some large companies which often set developments in the sector. As a result, collective bargaining is highly fragmented in sector and company agreements, as well as regional agreements in some cases.

At national level there are two main union confederations in Spain, which together organise about 80% of all unionised workers (*El Pais*, 21/21/2000). These are CC.OO, traditionally linked to the Communist Party, and UGT, historically associated with the Socialist Party. Within this framework, the trade union movement has been strongly linked with the political context, although it is also true that recent years has seen a considerable weakening of such links, and a parallel increase in collaboration between the two main trade unions at company level (Escobar, 1993). Both CC.OO and UGT have a number of federations linked to different industries. In the banking sector, CC.OO operates through Comfia, and UGT through Fes. Apart from the national confederations, a number of trade unions exist with either a national or regional base (such as ELA/STV in the Basque Country and CIG in Galicia), the majority of which have generalist (not linked to a particular profession) approaches. Average trade union

membership levels in Spain are estimated at around 10-15% (Martinez Lucio, 1998). The banking sector has, however, been more unionised than other sectors, with current figures of around 25-30% (Lawlor and Serrano del Rosal, 1999:154). There are three suggested reasons for this: the higher percentages of stable and permanent employment in the sector; wealthier banking federations and better resourced unions; and growing affiliation levels in response to the perceived erosion of working terms and conditions. The generally low trade union membership levels (when compared to other European countries) may suggest lack of trade union strength. However, union membership is not sufficient to measure trade union influence in the Spanish context (Martinez Lucio, 1998). Two other important factors are the capacity for mobilisation and the support obtained at works council elections (Führer, 1996). In the banking sector, CC.OO. enjoys higher representation levels measured by the trade union elections of workers' representatives (at the last ones, held in Dec 2002/Jan 2003, CC.OO obtained 40.84% of votes, UGT 27.24% (Eironline, 2003). One of the key aspects of the elections is that they determine the trade union representation on the bargaining commission, which is responsible for negotiating the sector agreement.

Employers in the banking sector are organized in the banking employers' association (AEB), which is in turn part of the highly unitary Spanish businesses' confederation (CEOE), representing large, small, national, foreign, public and private firms alike (Martinez Lucio, 1998:433).

In recent years, a sector agreement at national level has regulated employment relations in the banking sector; the last (at the time of writing) was the XVIII Private Banking

Collective Agreement, valid from 1st January 1999 until 31st December 2002.²⁴ This agreement, negotiated between the most representative trade unions at national level and the AEB, establishes the terms and conditions of bank employees. It covers most aspects of the work contract, including professional categories and salary levels, promotions, remuneration of extraordinary hours, holidays and social benefits. The highly legalistic nature of the Spanish IR system is one of its key features (Martinez Lucio, 1998). Recent governments have pursued the liberalization of the economy through a number of labour reforms, for example in 1994 and 1997. These have affected, for example, the collective bargaining structure, through the transformation of traditional professional categories into new, more widely defined professional groups, thus adding flexibility to aspects such as compensation structures (Gomez and Montero, 1997, cited in Quintanilla, 1998:125). Despite greater flexibility introduced through such labour reforms, the rigidities associated with the banking sector agreement have implied a downward trend in the number of employees covered by the agreement in recent years (Lawlor and Serrano del Rosal, 1999). This is due to two reasons. Firstly, staff in areas such as cleaning and maintenance, traditionally also covered by the sector agreement, have largely been outsourced to non-banking firms outside the cover. Secondly, increasing numbers of employees are now outside the remit of the sector agreement; for example, telephone banking staff or agency staff.

5.4.4.1. Workplace Representation and Employee Information and Consultation

The 1980s Workers' Charter (the main Spanish labour law) and the 1985 Law of Trade Union Freedom provide the legal framework for employee representation at workplace level in Spain. It is based on a dual system of representation through works councils (the unitary organs of representation of workers at firm level) and trade unions. Trade

²⁴ At the time of writing, negotiations for a new sector collective agreement remained stalled due to differences between the unions' and employers' position. The unions' demands mainly concern higher pay, shorter working time and employment.

union representation is through union sections, a legally recognised entity that groups the members of a trade union at local, regional or national level in particular firms. Both channels of representation are inter-related to the extent that works councils are key to the operation of trade unions at firm level, often with works councils being controlled by the trade unions (Escobar, 1993; Knudsen 1995).

Fifty employees is the threshold for the existence of representation through works councils, which otherwise is carried out by employee delegates with the same rights and duties as works councils. The law establishes that works councils must meet every two months, or alternatively at the petition of a third of either its members or the employees represented. Elections for works council members or employee delegates can be called by those trade unions whose presence in the firm is at least 10% of all employee representation in the firm, or by the workplace employees decided by majority. Works council elections take place every four years both at local and national company level.

Three main functions are assigned to works councils: to negotiate company or workplace collective agreements; to control the business activity of the firm according to the Worker's Statute legal provisions; and to exercise their right to be informed and consulted on a number of issues. Works councils have the right to be informed about the general economic sector to which the firm belongs, production and sales information, plans for future production, and the general evolution of employment in the firm. They also have the right to information on new contracts, including the number and type of new contracts. Consultation occurs in the form of a written document on the decisions taken by the employer, previous to their execution, on areas such as staff restructuring, temporal or permanent layoffs, working time reductions, building transfers, professional training plans, the implementation or modification of organisation and control systems,

the establishment of bonuses and incentive systems, and job evaluations. The importance of works councils within the Spanish IR system should not be underestimated, in particular for trade unions, for whom time allocation for union duties at company level, negotiation rights, and the state's financial subsidy are all directly related to the level of representation obtained in the works council elections. Furthermore, Kolvenbach (1978) refers to the traditional trade union fear of works councils taking over the collective bargaining function, in particular given the Spanish IR context with legal provisions supporting the compulsory election of works councils from among the whole workforce.

The general characteristics of workplace representation outlined above are not truly representative of the situation in the banking sector, particularly in banks of a considerable size, such as the ones covered in this study. Workplace representation in large Spanish banks occurs through trade union sections. Works councils are largely inoperative or non-existent, their main function being to measure representation levels for the different trade unions. A number of reasons explain this situation. Firstly, the two main trade unions dominate works councils and therefore can on their own conduct collective bargaining negotiations with the employer.²⁵ Secondly, the structure of the sector itself with a large number of small workplaces, makes organisation through the works council system a complex exercise.

The employee participation arrangements in Spain must be analysed within the context of the Spanish tradition of class conflict and thus traditionally adversarial IR, with the associated scepticism towards cooperative structures in enterprises (Knudsen, 1995:79). Compared to the situation in other European countries, works councils and trade union

²⁵ According to the Workers' Charter (Art. 65.1), a trade union section can undertake collective bargaining negotiations if they are in a majority in the works council.

activity in Spain might then be interpreted as a defensive tool against management prerogatives, but with a lack of real power of employees to influence management decisions. Although it has been suggested that attempts by both employers and trade unions in the banking sector to engage in more dialogued-based participation are taking place (Lawlor and Serrano del Rosal, 1999), the historical and institutional legacy continues to mark current practices of employee participation. Miguelez et al. (1999:243) have argued that in the Spanish banking sector “the forms of collective participation can be characterized as an interchange, but absolutely not one of joint management”, whereby interchange implies a mixture of management trying to restrict trade union influence, and unions mistrusting “in a rather defensive and reactive character” (Knudsen, 1995:80) any participation policy coming from top management. In fact, in 1989 the two main trade union confederations concluded an agreement defining trade union demands for the following two decades, in which they wished to have the present information, consultation and negotiation rights recognized as “real powers” (*Ibid*:78).

5.5 CONCLUSION

The last two decades have been a period of significant change for the banking sector of most industrialised countries. The movement towards the international integration of financial markets and the widespread use of technology has been particularly noticeable within the European context, following the creation of the Single Market and establishment of a single currency. In examining the nature of the transformation of the banking industry in specific countries such as the UK and Spain, this Chapter has shown a certain degree of international isomorphism, with common elements such as deregulation, concentration, widespread use of new technologies and increased levels of competition. In terms of the implications for the HR/IR agendas, it has meant that in

both the UK and Spain, life-time employment, paternalistic and welfare-oriented policies have been replaced by intensive cost reduction strategies, including less secure contracts, widespread redundancies, and more flexible and performance-related remuneration systems. Similarities have also been observed regarding the nature of the company level organisation structures of trade unions, with group-level representation in both UK and Spanish banks. Nevertheless, the pace and impact of those changes differ according to the different national contexts, with distinct institutional influences mediating the responses and strategic choices of both management and trade unions within firms.

In the UK, firm-level choices continue to predominate in large banks with regards regulation of employment relations, but as the elements of the traditional system were being dismantled, management-union conflict in the sector generally increased, reflecting the changes in pay systems and growing insecurity. However, although the pursuit of partnership with employers could also been seen as partly a reflection of union weakness (Kelly, 1998), recent developments reveal a more dialogue-based approach to collective employee participation. Changed attitudes from both employers and trade unions are evident, also perhaps based on the British tradition of relationship-building and resolution of conflicts at workplace level.

In the case of Spain, institutional constraints, particularly derived from highly legalistic IR, continue to influence the actions of both trade unions and employers in responding to the changes posed by developments in the sector. This refers, for example, to the role that unions have played in restructuring, somehow limiting to a large extent the negative consequences of organisational change. Trade unions have been crucial to the social orientation of their downsizing. Moreover, whilst company-level collective agreements

have no statutory rank, and in many cases management take unilateral decisions introducing a high degree of flexibility in the sector, sectoral bargaining has emerged as a source for establishing minimum working conditions. Nevertheless, past dependency continues to shape the overwhelmingly defensive approach to collective employee participation.

Chapter 6

CASE STUDIES: THE UK BANKS

6.1 INTRODUCTION

The purpose of this Chapter is to conduct an issue-organised case study analysis of the two main British-based banking groups of this research. A comparative analysis around these cases will later be developed in Chapters 8 and 9. In Sections 6.2 and 6.3 HSBC Group and Lloyds-TSB Group are presented respectively. The information presented is mainly focused on the activities and characteristics of the two groups at the time of the study, although there are also historical references. The chapter is based on the fieldwork conducted in HSBC Holdings and Lloyds-TSB Group between August 2001 and December 2002, mainly in the banks' premises in London, Bristol and Madrid.

6.2 HSBC GROUP

6.2.1 Group History

HSBC is one of the largest financial organisations in the world. The Group was founded in Hong-Kong in 1865, where it maintained its head office for more than a century, during which time a large number of businesses were incorporated into the original Bank. In 1991 a holding company for the whole Group was created under the name HSBC Holdings Plc., and a year later the presence of the Group in Europe changed significantly following the acquisition of Midland Bank, formed in England in 1893 and

one of the main UK clearing banks.²⁶ In 1999, following the parent company’s policy of unified branding, the name Midland Bank Plc. changed to HSBC Bank Plc.. While the acquisition meant that the Group’s head office was transferred to London, it maintained its traditional concern for rapid decision-making and local accountability, meaning that the new head-office provided only the essential central functions, such as strategic planning, HRM, legal and company secretarial, and financial planning and control (HSBC, 2000). Indeed, the banking subsidiaries continued to be regulated locally in their countries of operation. As a result of this philosophy, a key organisational feature of the Group is a decentralised management system, which is nevertheless combined with a single brand across the globe, summarised by the words ‘the worlds’ local bank’.

6.2.2 Group Activities and International Operations

HSBC’s international operations network employs around 170,000 people in 81 countries in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. Despite its Asian origin and extended worldwide presence, Europe has been a key area of development for the last two decades. Indeed, today Europe accounts for almost 40% of the Group’s profits, closely followed by Hong-Kong with around 35% (Table 6.1). In terms of employment, by far the greatest proportion of employees (42%) are located in Europe, 78% of whom the UK.

Table 6.1: HSBC’s Profits and Employment Figures

Region	Profit before tax (percentage)	Employment Numbers
Europe	39.0%	71,405 (56,000 in the UK)
Hong Kong	35.9%	25,167
Rest of Asia – Pacific	12.3%	24,252
North America	9.6%	18,533
Latin America	3.2%	25,568

Source: Profits: HSBC Holdings Plc. Annual Report 2001
Employment: Interim report HSBC Holdings Plc, 2001

²⁶ In 1987 HSBC Holdings bought 14.9% of Midland Bank, and, after a three-year collaboration period and a long subsequent negotiation process, the merger between the two banks took place in June 1992.

HSBC Group in Europe

HSBC Bank Plc. is the base for the operations of the HSBC Group in Europe. It operates through a network of 1,663 branches in the UK, and employs 56,000 staff (HSBC, 2001a). However, HSBC Bank's activities stretch well beyond the UK through a number of subsidiaries, mainly in Europe. Activities embrace a large range of financial services including retail, commercial and wholesale banking activities.

HSBC Bank divides its activities into five business segments: UK banking, international banking, treasury and capital markets, HSBC republic, and CCF. *UK Banking* includes personal/retail, commercial and wholesale banking. While personal banking clients are managed on a more national basis, corporate and institutional clients are managed centrally through a number of specialised teams within the HSBC Group, such as treasury and investment banking. The international scope of HSBC Holdings provides a competitive advantage to HSBC Bank in that it can provide services for the international operations of UK-based corporate clients through the international network of HSBC Holdings. *International Banking* provides a wide range of financial services, including personal, corporate and commercial banking, cash management, and treasury and capital markets. At the end of 2000, international banking had offices in 28 countries, mainly in Europe and Latin America (see Table 6.2).

Table 6.2: HSBC plc. International Banking: Sites of Operation

Branches	Representative Offices	Subsidiaries
Australia	Argentina	HSBC Bank Armenia
Belgium	Brazil	HSBC Financial Services Cayman Limited
Czech Republic	Chile	HSBC Pantalakis Securities SA (Greece)
France	Dubai	HSBC (Hellas) AEDAK (Greece)
Greece	Hong Kong	HSBC Bank International (Jersey,Guernsey, Isle of Man)
Guernsey/ Jersey	Mexico	HSBC Fund Administration Limited (Ireland)
Ireland	Singapore	HSBC Bank Malta
Isle of Man	Taiwan	HSBC Bank A.S. (Turkey)
Italy	Venezuela	
Netherlands	South Africa	
Panama		
Spain		
Sweden		

Source: HSBC Plc. Annual Report (2000)

Treasury and Capital Markets provides services for wide range of entities including international corporations, institutional investors, private investors and central banks. *HSBC Republic* is the international private banking division of the HSBC Group, and operates in 33 locations in the Americas, Asia, Europe and the Middle East (HSBC, 2000:10).

Finally, *CCF* is the latest and most important acquisition of HSBC Bank in Europe. CCF is the seventh largest bank in France and provides a wide range of services including personal, commercial and wholesale banking. In France it operates through a strong local presence of 682 branches (including nine regional banks that are part of the CCF Group). Following the unified branding policy, all CCF branches have incorporated HSBC's logo. Moreover, the acquisition has brought important changes to the operational procedures of HSBC. For example, management responsibility for HSBC's businesses in France, Belgium, Italy, Spain and the Netherlands has been transferred to CCF. Another change has been the alignment of CCF and the HSBC Group's corporate and investment banking business.

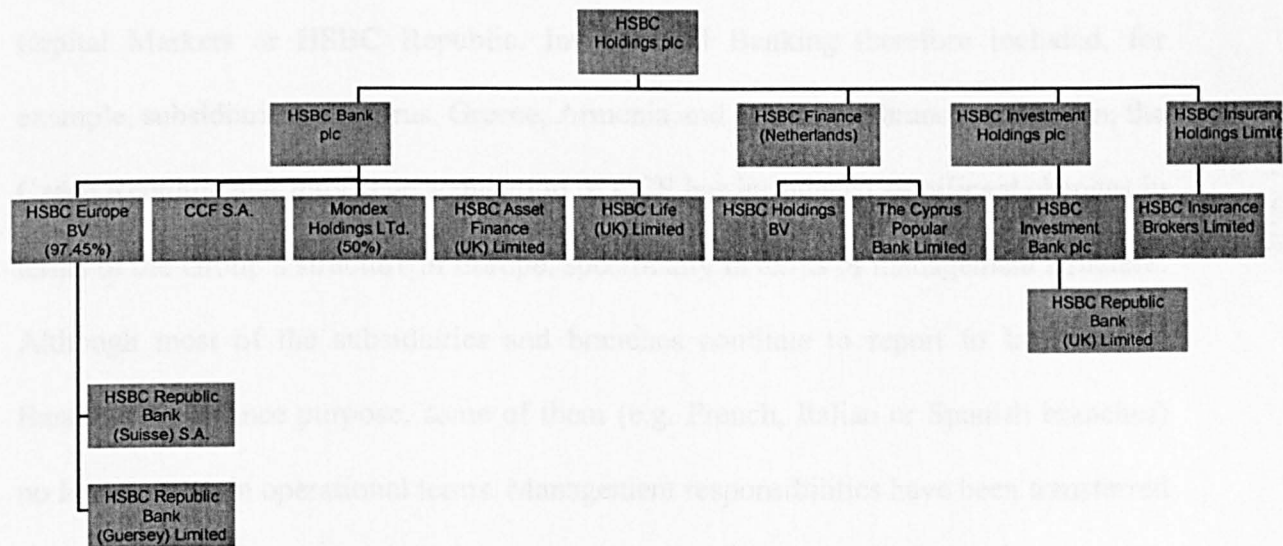
In addition to HSBC Bank plc, HSBC Group carries out operations in Europe through a number of entities. Table 6.a in the appendix to this Chapter shows the operations of the Group in Europe.

6.2.3 Organisational Structure

HSBC Group's structure is a complex holding divided into three main legal entities: HSBC Bank Plc., HSBC Finance (Netherlands) and HSBC Insurance Holdings Limited (Figure 6.1 shows a simplified structure chart of the Group's principal operating

companies).²⁷ Each of these companies provides a wide range of financial services and operates in a variety of countries. An account of the activities of the HSBC Bank plc. has been already given. HSBC Finance is based in the Netherlands and has two main arms, HSBC Holdings BV (a large conglomerate of subsidiaries with operations in most parts of the world including Europe, North America, Latin America, Malaysia, Middle East, and Asia/Asia-Pacific) and the partial ownership of The Cyprus Popular Bank Ltd.. Finally, HSBC Insurance Holdings Ltd. is the insurance arm of the Group.

Figure 6.1: HSBC Holdings – Organisational Chart



In operational terms, however, the HSBC Group is also organised in four major sections which correspond to four regions of the world: the US, Asia-Pacific, the UK and the Eurozone. A number of minor areas also exist, such as Latin America and Australia/New Zealand. Each country has its own country manager who then reports for accounting purposes to the corresponding geographical area (note, however, that not all countries in the 'Eurozone' report to the 'Eurozone' area). The operational organisation of HSBC relies mainly on historical rationale, following the growth of the Group

²⁷ HSBC Investment Holdings is not considered separately here, because at the time of the study this was being integrated into HSBC Plc.

mainly through acquisition. As a consequence of this, lines of reporting for balance sheet and management purposes do not always coincide.

6.2.3.1 Organisation Structure of HSBC Bank Plc.

Formally the Group in Europe is legally under a single entity, that of HSBC Bank Plc. As already mentioned, HSBC Bank's activities are divided into five different business segments, with all but UK banking having an overseas remit. Despite some grouping of European subsidiaries there is not a single clear unified structure, particularly in the case of the retail banking businesses. Before 2000, International Banking embraced most of the European subsidiaries other than those in specialist areas such as Treasury and Capital Markets or HSBC Republic. International Banking therefore included, for example, subsidiaries in Cyprus, Greece, Armenia and Malta, and branches in Spain, the Czech Republic and Italy. The acquisition of CCF has introduced significant changes in terms of the Group's structure in Europe, specifically in terms of management structure. Although most of the subsidiaries and branches continue to report to International Banking for balance purpose, some of them (e.g. French, Italian or Spanish branches) no longer do so in operational terms. Management responsibilities have been transferred to CCF, although at the time of writing, lines of management responsibility within HSBC Bank in Europe had not been totally defined. Integration at European level is nevertheless definitely happening, in particular with regards to the commercial and wholesale banking operations of the Group. The emergence of pan-European platforms is appreciable in a number of areas such as HSBC Private Banking, Treasury and Capital Markets, Asset Management, and Corporate and Investment Banking.

6.2.3.2 The HR Function: Organisational and Management Structure

The HR function in HSBC is highly centralised in the domestic UK operations, whereas decentralisation predominates in its overseas operations. A set of central policies and

standards as 'global footprints' are developed by HSBC Holdings as guidelines for the general operations of the Group. Within this, each subsidiary (including HSBC Bank) develops their own strategies and policies.

HR Function in the UK

The HR function in HSBC Bank has been transformed during the course of this study. A model based on divisional management centres for the different business areas and a branch network HR function organised geographically has been replaced by an 'HR business partner' model. An HR business partner is allocated to each division or function to deal with strategic issues concerning that function, while day-to-day HR issues are centralised in a call centre. Other HR functions such as training and recruitment are also centralised. This model integrates all HSBC Bank operations in the UK with the exception of First Direct, the online 24-hour banking service, which has its own HR and IR team (although most HR/IR related decisions, including salary increases, redundancies etc., still have to obtain approval from central HR).

The IR function is under a separate unit called the Employee Relations Department, which covers the whole of HSBC Bank, both in the UK and across Europe. Nevertheless, the IR function is very decentralised internationally, with local managers dealing with the different unions in each country.

International HR Function

Beyond the UK, the HR function of HSBC Bank is organised in parallel to the structure of the Bank. It is thus essentially divided into two: HR International oversees some of the European businesses such as Greece, Turkey and off-shore, while the HR function of CCF is the focal point for most of the Group's operations in the 'Eurozone'.

Accordingly most businesses within the 'Eurozone' report to CCF, whereas businesses in Greece, Turkey and off-shore (Channel Islands) report directly to the General Manager for International Operations in London, who subsequently reports to the Chief Operating Officer of HSBC Bank. Steps to integrate the HR function across borders have started with the extension of the 'HR business partner' model to include the businesses within 'HR International' (not yet CCF), which despite operating in quite a decentralised and autonomous form have access to the central call centre. Whilst lines of responsibility are still being defined, further integration of the European operations is expected in the future, including those of CCF and their dependent subsidiaries.

6.2.4 HR Policy and Practice in HSBC Bank

6.2.4.1 Home Country Coordination of HR Home

As already indicated, HSBC's new HR system substitutes the previous regionally-based model. Although this provides a customised HR strategy for each specific business, there is also room for increasing convergence in terms of common features, with day-to-day issues processed through a central call centre. Formal negotiations with the unions are also conducted centrally by Group IR at national level, but increasingly involve divisional HR management. A few peculiarities are worth mentioning. First Direct (the only HSBC business not under the global HSBC brand) has different HR and IR arrangements, as does Asset Finance, whose staff are still to be integrated in the Group's terms and conditions. Despite these exceptions, HSBC in the UK represents a case of strongly standardised HR policy, including terms and conditions of employment, pay scales and grades: **"You can't sack someone in the Bank without having it gone through central HR in HSBC Plc., that would legally check whether is consistent, fair, etc. If any division wants to change anything in policy, you have to come**

through them too, and the reason is to send consistency, to ensure that the different divisions are sending the same message”.²⁸

With regards to their commercial and wholesale businesses, HR is also integrated in the business partner model. This has reduced duplication of certain policy units that previously existed in HR functions of HSBC Holdings, HSBC Bank, and the Corporate and Investment Banking divisions. The merger of policy units for the entire UK has increased the alignment of HR policies within and among the different divisions too, a process which has been facilitated by the centralization of HSBC Group central functions in Canary Wharf (London): **“by closing 14 different offices across the UK and coming together into a single building, it has created an opportunity for HR to review HR practice, and so the merge has created three entities - the policy units, service centre and the HR business partners – to function across the UK operations of HSBC”.**²⁹

6.2.4.2 International Coordination of HR

Decentralisation of HR policy and practice has been, and continues to be, a key feature of headquarter-subsidary relations in HSBC. However, following the acquisition of CCF and resulting management reorganisation, signs of increasing coordination (e.g. in remuneration systems) are starting to appear in the ‘International Banking’ division in charge of most of Eastern Europe, Greece, Malta and Cyprus. While CCF (in charge of most ‘Eurozone’ countries) coordination is lagging behind, given its more recent incorporation to the Group, it is also developing closer integration. Single management structures are starting to emerge in a number of areas including private banking,

²⁸ Interview with trade union official - Unifi (June 2001).

²⁹ Interview with HR Business Partner - HSBC (November 2002).

treasury and capital markets, asset management, corporate, investment and commercial banking.

6.2.5 Industrial Relations in HSBC Plc.

6.2.5.1 Trade Union Recognition

In HSBC Bank a single trade union is recognized, with no formal recognition in the rest of the UK operations of HSBC Holdings. Trade union density is around 50%. It is the Group's tradition in IR to give trade union recognition only where there is a tradition of union presence, this being the case for HSBC Bank, previously Midland Bank. HSBC Bank gives sole recognition to Unifi for the purposes of consultation and bargaining. Recognition is limited to UK operations, with separate arrangements for the international offices and subsidiaries.

Unifi has recognised negotiating rights for the five grades (S1-S5) corresponding to administrative staff, and representing around 25,000-30,000 employees, rights which are exercised through a national negotiating council. Collective negotiation rights for managers (M-grades) were removed in 1996, when 'divisional councils' for consultation purposes only were introduced in each division, with members elected by managers themselves. Above these, there was a 'national council' elected by the 'divisional councils'. Issues to be consulted at the 'divisional councils' included the bonus system, restructuring, overtime, job losses, etc.. Recently, a 'partnership agreement' has been reached for managers. As a result, the divisional and national councils were replaced in 2001 by a 'management forum', which re-establishes Unifi presence.³⁰ Although the 'management forum' recognises Unifi's presence for

³⁰ The 'management forum' consists of nine non-Unifi people (one from each division elected by all managers) and six Unifi-elected people (chosen by the Unifi manager's committee), who meet with senior management of the Group (Chief Executive and Chief Operating Officer). The 'management forum' applies to all management but insurance, which is not in HSBC Bank.

information and consultation, it does not give its members negotiating rights. Gradually, the issues for discussion in the management forum have moved to, for example, performance issues, with also increasingly more involvement of Unifi in these areas.

Within First Direct, there is a different type of agreement by which Unifi has a full negotiating position for both managerial and non-managerial staff. Because of the peculiarities of the system, its 24-hour service and its recent origin, a non-strike agreement is also in place. First Direct has its own employee council, although its autonomy to make decisions is subordinated to the Unifi national committee.³¹

Management-union relations within HSBC Bank

Management-union relations appear to have improved in recent years, due to changes in the attitudes of both union officials and management. There appears to be two main reasons for this. On the one hand, Unifi has adopted a more open approach, with greater understanding of and compromise over the pressures currently facing the Bank. On the other hand, a number of individuals with a more open approach and attitude to union relations have been appointed within the HR/IR management team. As a union official interviewed stressed: **"the head of employee relations comes from a previous union background so he understands and believes that it is extremely important to have good IR, and he has taken over the job of someone who didn't particularly like unions. That gives us the opportunity to build up relations. We have disagreements but the idea is that we are professional and there are things in which we will be fundamentally different but the relation is much better"**.³² There was a general consensus among employee representatives interviewed that consultation has significantly improved following these the changes within the central HR/IR

³¹ At the time of the fieldwork, union officials expected this to change in the near future, with the view that it would be more beneficial for First Direct staff to become more autonomous in their decisions.

management team. It was perceived, however, that consultation seemed to deteriorate at times at lower levels within the Bank: **“what happens is if it goes down to local management, the message there is, they don't see the importance of consulting”**.³³

6.2.5.2 Collective Bargaining Structure and Content

In HSBC collective bargaining over pay and employee ‘Group’ terms and conditions is conducted at national company level through *ad hoc* arrangements, rather than being highly formalised. Negotiation rounds are conducted between the central employee relations team and a Unifi team.³⁴ Negotiation of the Group’s terms and conditions is therefore highly centralised at national level, with negotiations centred on the annual pay bargaining in terms of basic pay for each clerical grade and for technical staff. Geographical allowances are also negotiated, for example London allowances. While there is negotiation over pay and conditions, including holidays, there is no negotiation over bonus payments or managerial salaries.

There is, however, an increasing tendency to conduct negotiations at divisional or local level on specific issues of the employment contract or areas concerning working time. There is not a formalised procedure for negotiation at local level, and collective bargaining takes place through *ad hoc* arrangements when issues appear. First Direct and Asset Finance have their own collective bargaining arrangements and do not fall under the general company collective agreement.

³² Interview with trade union official - Unifi (May 2001).

³³ Interview with trade union official - Unifi (May 2001).

6.2.5.3 Main HR/IR Changes and Implementation of these Changes

This Section explores the main changes affecting HSBC over recent years, and their HR/IR implications. An examination of how these have been dealt with enables a feel for the extent and nature of negotiation and consultation at company and local levels.

1. Bank Restructuring

One of the main current IR/HR issues within HSBC Bank are the implications, in particular for UK staff, of the Bank's strategy on global processing. This was initiated in 2000 with 'Project Monsoon', whereby a centre was opened in China for the transfer of processing work from other parts of HSBC, in particular from the UK. There are now two operating centres, one situated in China and one in India, with a total headcount of around 350 employees each and expanding. Although Unifi initially resisted this strategy, the union's attitude has gradually changed after initial fears of massive redundancies have not materialised. The Bank reassured the union that there would not be compulsory redundancies as a result, but relocation, re-training and schemes for voluntary redundancies. As a result Unifi and Bank management have reached a joint initiative in life-long learning, regarded as unique and pioneering among UK employers.

2. Outsourcing and the Introduction of New Technologies

Outsourcing as part of a cost reduction strategy is due to be reviewed in 2004 and has affected substantial areas of business within HSBC in the UK. Part of the strategy has involved the transfer to joint ventures of remaining processing staff, among other functions. Indeed, trade union sources mentioned that around 3,000 staff had gone into outsourcing in the 18 months previous to the time at which the interviews were conducted, 1,000 of which were in the cash delivery business and 2,000 in clearing and voucher processing. Cash centre activities have been outsourced to Securitas Cash

³⁴ The Unifi team consists of four people including a National Secretary and three full time officers.

Management, a joint initiative with Barclays whereby Barclays and HSBC each own 15% of Securitas. This move was introduced following changes in UK tax legislation. The union has been generally involved in negotiations around the introduction of outsourcing practices. Negotiations at national company level have taken place around the terms and conditions of the HSBC staff to be transferred to the outsourcing companies, in particular in the case of major transfers. As an example of this, HSBC Bank and Unisys set up a joint company (IPSL) to which HSBC Bank is transferring a large amount of its processing work. Unifi participated in the negotiations towards a collective agreement for the staff transferred to IPSL. The agreement was seen by the union as quite unique, and has set a precedent. IPSL guarantees HSBC redundancy terms, and the agreement secures that those terms will not change for a minimum of five years. Part of the agreement is the possibility for staff that have already technically become IPSL employees to apply for job vacancies that arise in HSBC and become fully reinstated as HSBC with full pension rights as if they had not left.

The use of temporary workers does not appear to be a prominent issue in the employment relations at HSBC. Apart from the introduction of more flexible contracts for new staff, flexibility at workplace level has been introduced through the use of part time staff. Although initially part-timers' terms and condition were less favourable compared to those of full-time employees, there have been substantial improvements as a result of union-management negotiations at national company level. A Unifi official interviewed stressed the key role that European legislation in aspects such as pay and terms and conditions of part-timers have played for the outcome of these negotiations.³⁵

³⁵ Interview with trade union official - Unifi (June 2001).

The union approach to employment relations in HSBC is characterised by an understanding of the dynamics of the business, and a willingness to achieve compromise. This is, for example, seen in negotiation over recent pay deals, where a compromise was achieved through the union acceptance of the introduction of regional pay, by which a single national pay scale was replaced by a three-level one.

3. Flexibility and Working Time

A number of 'flexible contracts' for new staff have been introduced in recent years. These allow more flexible working practices; for example, contrary to the 'old contracts', they allow management to change working hours without mutual agreement, as well as providing no difference in payment when working 'non-sociable' hours. The issue of new contracts was subjected to consultation with Unifi at national level, although it did not support the new terms and conditions. At the time of its introduction, staff under 'old contracts' were given the opportunity to convert to new contracts with, among other incentives, a lump sum of 500 pounds. According to Unifi, a number of staff did convert, and this is currently causing problems. There have also been some agreements, however, in certain workplaces at local/divisional level.

There is a central company agreement setting out a framework for working hours. In addition, however, there are also negotiations at business and workplace level. This has included, for example, initiatives at regional level over changes in the holiday system, arrangements in certain branches and telephone centres, or individual arrangements towards more flexible working hours. It was reported from both trade unions and management that union resistance to more flexible arrangements had not been an issue, but more the attitude to change of middle management. In fact, issues over work life

balance had started to be addressed at business level with, for example, consultation over staff hours in the retail banking division.

4. Pay and Systems of Variable Remuneration

Remuneration systems within HSBC Bank have changed significantly over the last few years. In terms of the reward element of the salary, this has moved away from periodical incremental rises based on seniority to performance pay. A system based on performance related pay (PRP) for management was introduced in 1988, and it was extended to clerical staff in 1999. The structure of the PRP system is the same for all grades,³⁶ with quarterly appraisals. There are three main factors determining the performance bonus (sales, individual performance and financial performance), moving away from a flat rate business bonus. The union has been involved in consultation and negotiation throughout these changes, although there is no negotiation on managerial salaries and bonuses, since trade unions were de-recognised for management levels in 1996. Consultation for managerial issues takes place at the national management council.

The last few years have been a period of relative peace in the IR of HSBC. Within the context of restructuring and change that has characterised the industry, the unions have managed to recover some lost ground in previous decades. A change in both management and union attitude, partly arising from changes in management and union teams, has contributed to this shift towards a more participative approach.

³⁶ First Direct and Off-shore have different pay arrangements, although their systems are based on similar principles.

6.2.6 Transnational Information and Consultation: HSBC Employee Forum

An EWC was established in September 1996. The EWC is set up at Group level (HSBC Holdings) and is chaired by the head of HR of HSBC Holdings. There are two EWC meetings per year, each lasting a day and attended by 26 employee representatives, ten from the UK and five from France (French representation has notably increased following the acquisition of CCF). An 'expert' also attends the meetings, and at present this is the national Unifi official for HSBC in the UK, since the majority of the European staff in HSBC are still in the UK, and as such are widely covered by the Unifi collective agreement. As expressed by the 'expert' himself, this situation is likely to change as HSBC expands further into Europe with future acquisitions. Furthermore, there is a planned request for a larger number of 'experts' to be present at the EWC meetings, and from different national backgrounds. EWC members themselves are elected differently in each country. In the UK, Unifi is not allowed to select the candidates. Instead there are ten open constituencies, to which anybody can stand, and it is HSBC staff themselves who elect the representatives. In France, labour law establishes that all trade unions represented in CCF must be represented in the EWC. There are hence five seats allocated to CCF, through which four unions are represented. UK members of the EWC suggested that this was sometimes problematic given the different positions of the various French delegates, reflecting domestic tensions. An employee only pre-meeting is held the morning or day before the EWC meeting, so that the final issues to be included in the agenda, and questions to be raised, are determined.

The initial EWC agreement was re-negotiated in 2001. The employee side 'negotiating team' was formed by four EWC members (two from the UK, one from Germany, and one from France) and the Unifi 'expert' already mentioned. The members of the 'negotiating team' were elected by EWC members, and one of the two UK members

was the employee designated representative, a figure recognised in the EWC agreement itself, who serves as the main employee representative. The 'negotiating team' does not presently meet on any other occasion, for example between EWC meetings, but it is on the agenda of the unions to request the constitution of a 'select committee' for the purpose of 'in between' EWC meetings, a role presently only recognised for the employee-designated representative. A union official expressed the need to have more than one person in that role, as well as more structured meetings which would ensure that members of the council are involved in determining the agenda, time and any other issues relevant for the EWC meetings.

As a result of the re-negotiation of the agreement the representation threshold of 150 employees was lowered to 50, and all 11 EU countries where HSBC operates now have representation in the EWC, including Ireland, Sweden and the Netherlands, which were previously not represented. Another clause of the re-negotiated agreement ensures that those European countries which have applied for EU membership will be able to attend the EWC meetings as observers a year before the actual accession. This will affect countries such as Malta.

Management Attitude to the EWC

According to Unifi sources, management approach to the EWC in its early days was rather minimalist, with little support to union officials involved in EWC activity in terms of communication tools or time off to carry out their duties. When asked about the impact of EWCs in line with previous management approaches to international issues, an ex-EWC member responded: **"everything was told to us after it happened, and often you would have read about it in the newspapers, so no, it didn't have**

much impact”.³⁷ More recently, management attitude to the EWC has become increasingly positive, something that is reflected in the lowering of the threshold for representation and the presence of the chairman of HSBC in one of the most recent EWC meetings. In accounting for this change is the incorporation of CCF into the Group, which means that the Group’s presence in Europe outside the UK has increased considerably. Another important factor has been the change of some members of the management team and the more positive predisposition from those to the concept of the EWC. For instance, the predecessor of the current employee relations’ manager (who does attend the meetings) did not attend himself, but sent his deputy.

Employee Side Attitude to the EWC

At present UK delegates dominate the EWC’s employee-side, followed by French representatives. It was suggested by a UK EWC member that the UK was still dominating the EWC, a situation that creates scepticism among other nationalities present. Another limitation to the functioning of the EWC suggested by a Unifi official was the fact that often there is a tendency for EWC members to prioritise national domestic employment policies, which has the potential to clash with the philosophy behind the EWC: **“one of the other tensions is that we would not allow the work of the Council to undermine or impinge upon our role within the UK in terms of collective bargaining, .., and I think that others would feel the same way about their own arrangements, they want to keep their own arrangements”.**³⁸ This suggests difficulties in reaching Group consensus, and as expressed by the same official: **“if we are going to be successful we should be less protective of our national arrangements, and push harder to work more on global or European workplaces, and perhaps seek agreements that even cut across national**

³⁷ Interview with trade union official - Unifi (June 2001).

agreements, and that might help to take control”. In fact, in the UK the issue of trade union versus works council representation was also raised by union officials as a concern among some staff who were apprehensive of the council as a replacement body of trade unions as democratically elected by its members to represent their voice. The perhaps not yet fully defined role of the EWC could be seen as a factor accentuating fears of this kind. On an individual basis, however, opinions among EWC members seem to converge in expressing a positive view for being members of the EWC, in particular for being able to benefit from the opportunity to obtain a broader view and understanding of the Group.

Union sources talked about the EWC as the real link between HSBC Holdings and the global operations, and the UK operations. The EWC was hence an opportunity for EWC members, including the lead union official for negotiations with HSBC plc., to meet the head of HR of HSBC Holdings and his team.

Issues discussed/Agenda

At present issues to be included in the agenda are determined both by management and EWC members. Previous to the changes in the management team mentioned earlier, the agenda was rather management driven with little impact from the employee representatives. Various union members of the EWC stressed the lack of information and consultation in important issues concerning the Bank and its employees. For instance, they mentioned that in previous meetings the information presented by management on the financial performance of the Group had been already published. They also referred to lack of information and consultation at the time of CCF's acquisition, despite a number of attempts by the designated employee representative to engage in dialogue with management. Lack of clarity in the chain of command, for

³⁸ Interview with trade union official-Unifi (May, 2001)

example over who knows (or should know) what information, was also noted as a potential problem.

Nonetheless, the EWC agenda has broadened over recent years. The fact that the business of HSBC in the UK is mainly retail banking, whereas in other parts of Europe it is investment or private banking poses problems in that there is the potential for lack of common issues to discuss. As explained by an EWC member: **“I worked in commercial banking, then the guy in Luxembourg works in Treasury, etc. Well, first of all to try to understand his job is one thing, then if we speak a common language, then he might be from a business that we have acquired so it might be fundamentally a different bank all together”**.³⁹ This problem appears to be diminishing to an extent after the acquisition of CCF, which includes another large retail banking business in Europe, and the prospects of additional future European acquisitions. Indeed, Unifi officials expressed optimism in terms of future greater harmonisation in certain areas of the employment package across the Group, at least within the European boundaries. These areas could be non-pay benefits, such as holidays, and areas such as maternity leave etc., where there could be Group wide policies. A Unifi official pointed to areas covered by a European Directive as ideal areas to have a consistent approach across the Group, however the fact that once Directives are enacted they are left to national interpretation - which varies across borders - poses potential problems. In a recent EWC-meeting, the issue of consistency in approach towards employee share dealing options was brought up, for example. However, due to poor quality presentation and lack of a common position among delegate members, the issue did not transcend the meeting. Another problem suggested by a Unifi official was the lack of a common position within countries themselves, with cases like France, for example, where four different unions are represented in the EWCs, speaking with four

different voices. The inability to achieve consistency within individual countries poses problems for achieving Group consensus.

An issue of recent concern is the HSBC strategy in global processing. Although at present most of the processing activities in other HSBC European businesses are still carried out locally, in particular within CCF, it is anticipated that in the near future there might be a further integration of the processing activities within the Group. An EWC member expressed discontent around consultation on global processing at the EWCs: **"to raise an issue in the EWC has to affect two or more countries, and at the moment global processing which was raised in the agenda of the last EWC it hasn't affected any other country, it is only a UK issue, so the EWC wouldn't consult across".**⁴⁰

Links between the EWC and national structures of employee representation

As a result of the establishment of the EWC, employment representation has emerged in areas of the Group where it did not previously exist.⁴¹ In general however, the profile of the EWC still remains low among the staff. It is perceived as 'distant', and generally staff are not yet clear about its functioning or benefits. In comparing the EWC and the National Council, a EWC member noted that **"the national council has more teeth than the EWC because there is more link with the constituency, there are more common issues, and they isn't the problem of having to be an issue in more than two constituencies"**.⁴² The Bank, however, edits a regular newsletter called 'European Focus' every six months, where an overview of issues concerning any of the businesses

³⁹ Interview with EWC member (June, 2001).

⁴⁰ Interview with EWC member (June, 2001).

⁴¹ This is the case, for example, in one of the constituencies called 'Other Group Companies', which includes HSBC Insurance Brokers Ltd, a part of the Group that has grown in recent years as a result of minor acquisitions and organic growth.

⁴² Interview with EWC member (June, 2001).

in Europe is given, including EWC meetings. This internal publication is distributed in English across the UK businesses.

6.3 LLOYDS-TSB GROUP (LTSB Group)

6.3.1 Group History

The origins of LTSB Group stretch back to the establishment of the Lloyds and TSB banks in the UK. Lloyds Bank emerged in Birmingham in 1765 and expanded over the years through a series of mergers, both nationally and across borders. Its international expansion was carried out first within Europe, through the acquisition of a French-based bank, which later became a Lloyds branded subsidiary (Lloyds Bank Europe). Expansion across the Atlantic was initiated in 1918 with the acquisition of a Brazilian bank to form the Bank of London and South America (BOLSA), which would be later incorporated into Lloyds Bank in 1986.⁴³ The international presence of Lloyds, with offices in 30 countries including the USA and Argentina, was extended in 1994 with the acquisition of two local banks in New Zealand.⁴⁴

LTSB's international presence is largely due to Lloyds Bank's internationalization strategy, since TSB (which merged with Lloyds Bank in 1995 to form LTSB Group), had only limited international presence in Ireland. The origins of TSB lie in a large number of regional Trustee Saving Banks founded in the 1800s. These merged into four central institutions in 1983, which would become TSB Bank Plc..⁴⁵

⁴³ By the early 1970s, Lloyds Bank was in control of the majority of BOLSA shares, and merged it with Lloyds-Bank Europe to form Lloyds and BOLSA International Bank. Both were incorporated into Lloyds Bank in 1986.

⁴⁴ These are National Bank of New Zealand and Rural Bank. They were, however, sold in 2003.

⁴⁵ The four central institutions were TSB England and Wales, TSB Scotland, TSB Northern Ireland and TSB Channel Islands. TSB England and Wales became TSB Bank Plc. in 1989, and the newly named TSB Bank Scotland Plc. and TSB Bank Northern Ireland Plc. became its subsidiaries in the same year. TBS Northern Ireland Plc. was bought by Allied Irish Banks in 1991, and TSB Channel Islands became a subsidiary of TSB Bank in 1992.

Lloyds Bank and TSB Bank initially pursued a policy of differentiated branding following their merger in 1995, and it was only in 1999 when LTSB Group launched a single branded service and product range. Since the merger, internationalization has to some extent played a secondary role to diversification in the UK, with some of the UK's biggest financial services mergers in the 1990s. These included Abbey Life Insurance Company in 1998 (creating Lloyds Abbey Life which became a wholly-owned subsidiary of the Group in 1996), the mortgage business Cheltenham and Gloucester (C&G) in 1995, the insurance provider Scottish Widows in 1999 and Chartered Trust in 2000.

6.3.2 *Group Activities and International Operations*

LTSB is one of the main UK-based financial services Groups. With 81,400 employees (LTSB, 2001), the Group provides a range of banking and financial services both in the UK and abroad. The Group, however, is predominantly a British business, with 89% of profits and 85% of its workforce based in the UK (see Table 6.3). LTSB Group operates in the UK through a network of 2,000 branches of LTSB Bank, LTSB Scotland and C&G. More than a third of LTSB Group operating profits come from insurance and investments. A focus on retailing and bancassurance has been the strategy of the Group for several years, but further domestic consolidation is proving increasingly difficult following the tightening of regulations by domestic competition authorities. This is illustrated by LTSB's unsuccessful takeover attempt of Abbey National in 2001.

Table 6.3: Profits and Employment Figures in LTSB Group by Division

Division	Profit before tax (percentage)	Employment Numbers
UK Retail Banking and Mortgages	33,4%	51,224
Insurance and Investments	35,1%	6,316
Wholesale Markets	17,8%	9,234
International Banking	10,8%	12,254
Central Group Items	2,7%	2,372

Source: Lloyds-TSB Group Annual Report, 2001

The Group's activities are divided into four main business lines: UK retail banking and mortgages; insurance and investments; wholesale markets; and international banking. The first three areas are mainly UK businesses, and services are offered on a multi-brand basis.⁴⁶ International banking embraces the Group's overseas operations, encompassing all banking functions - retail, commercial, wholesale - across 22 countries within America, Europe, New Zealand, Middle East and Asia. Table 6.4 illustrates the Group's operations in Europe.

Table 6.4: LTSB's European Operations outside the UK (31/12/2001)

Subsidiary's name	Country	Activities
Lloyds Bank S.A.(Subsidiary)	France	PB and AM, Corporate Banking
Lloyds TSB (Branches)	Luxembourg	PB and Commercial banking
Lloyds TSB (Branches)	Monaco	PB and AM
Lloyds TSB (Subsidiary)	The Netherlands	Corporate banking, Commercial banking
Lloyds TSB (Subsidiary)	Spain	PB and AM, Corporate Banking
Lloyds TSB (Branches)	Switzerland	PB and AM
Lloyds TSB (Subsidiary)	Gibraltar	PB and AM
Lloyds TSB (Branches)	Guernsey	Corporate Banking, Commercial Banking PB and AM, RB and Consumer finance.
Lloyds TSB (Branches)	Isle of Man	Corporate Banking, Commercial Banking and PB and AM, RB and Consumer finance.
Lloyds TSB (Branches)	Jersey	Commercial Banking PB and AM, RB and Consumer finance.

* RB- Retail Banking; AM- Asset Management; PB-Private Banking

Source: adapted from LTSB Group Annual Report, 2001

While operating in nine European countries, the Group's operations in mainland Europe remain relatively small, with around 1,000 staff. The Spanish subsidiary is the largest operation with approximately 300 staff. Latin America has historically been the Group's main area of international expansion, along with New Zealand in more recent times.

6.3.3 Organisational Structure

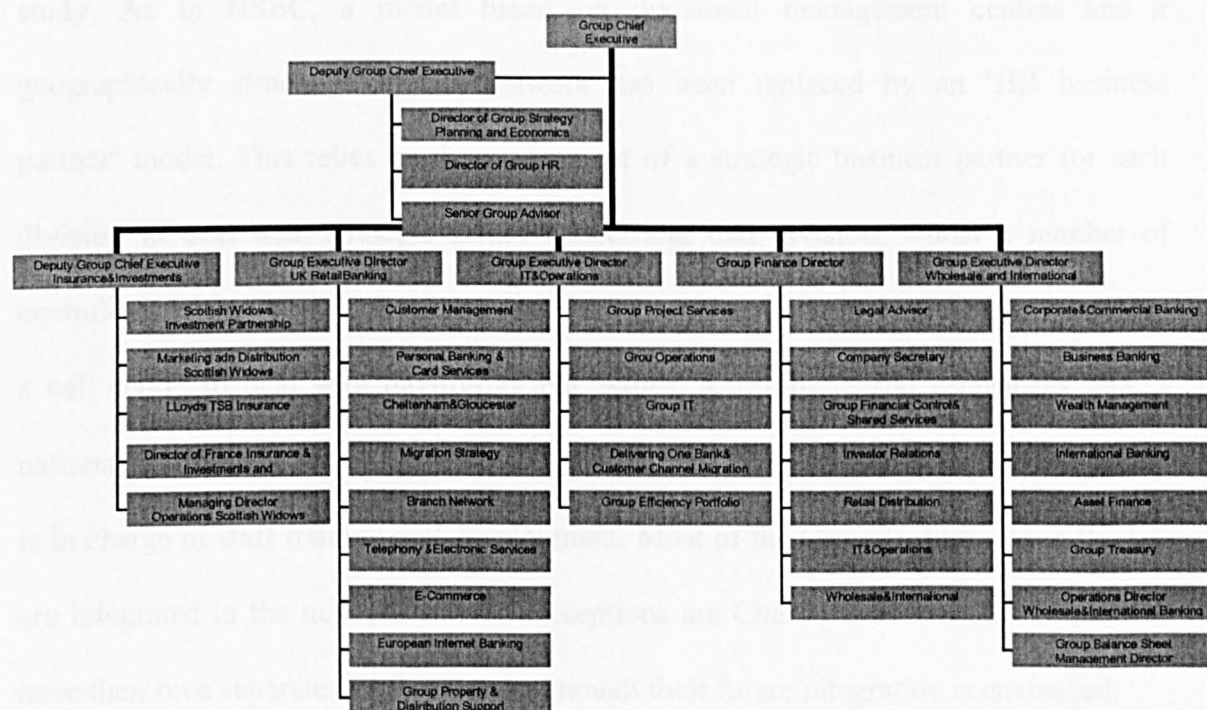
LTSB Group's organisational structure follows a multidivisional form, with five main divisions based on functional criteria (see Figure 6.2). Two of these divisions are

⁴⁶ UK retail banking provides a full range of financial services, including retail banking, private banking, business banking and mortgages. Insurance and investments provides general insurance, pensions and brokering services through LTSB branches and the Scottish Widows partnership. Wholesale banking provides a number of specialized services, including treasury, corporate banking and asset finance.

supportive finance and IT functions; the other three are the main business of the Group: retail distribution; insurance and investments; and wholesale and international. All divisions depend directly from the CEO, who is assisted by the Deputy Group executive and three units (monitoring and planning, HR and the senior Group adviser)

The international activities of LTSB Group are included in the ‘wholesale and international’ division, organized into two main units; wholesale, and international. The international unit is a geographically-based subdivision embracing the Group’s activities abroad in all types of business. There is not a European unit, and the management of the different businesses is largely devolved from the centre, and conducted on a country by country basis.

Figure 6.2: LTSB Group’s Organisational Chart (31/12/01)



The international activities of LTSB Group are included in the 'wholesale and international' division, organized into two main units; wholesale, and international. The international unit is a geographically-based subdivision embracing the Group's activities abroad in all types of business. There is not a European unit, and the management of the different businesses is largely devolved from the centre, and conducted on a country by country basis.

6.3.3.1 The HR Function: Organisational and Management Structure

The HR function in LTSB takes a highly centralised structure in the domestic UK operations whereas strong decentralisation predominates in the overseas operations, both outside and within Europe.

HR Function in the UK

The HR function of LTSB in the UK has been transformed during the course of this study. As in HSBC, a model based on divisional management centres and a geographically structured branch network has been replaced by an 'HR business partner' model. This relies on the assignment of a strategic business partner for each division to deal with strategic issues concerning that division, whilst a number of centralised HR units are created to service the Group as a whole. Among these units are a call centre to deal with day-to-day HR issues, a discipline and grievances unit, a national recruitment centre, an HR projects unit, and the 'University for LTSB', which is in charge of staff training and development. Most of the Group's divisions in the UK are integrated in the new HR model. Exceptions are Charter Trust and C&G that still have their own separate HR functions, although their future integration is envisaged.

The domestic IR function (Employee Relations) is a unit integrated within the HR function. Internationally, IR is strongly decentralised with negotiations of terms and

conditions of employment conducted locally by the country manager or his/her HR team, depending on the size of the operations.

International HR Function

The international division has its own HR business partner with a small HR team. There is not, however, a European unit, and nor there is a European business or HR strategy. The management of the international business is largely devolved from the centre on a country by country basis. Most of the central HR functions, including the call centre, do not operate for the international operations, nor this is currently envisaged.

6.3.4 HR Policy and Practice in LTSB

6.3.4.1 Home Country Coordination of HR

In LTSB the adoption of the new HR model has overlapped with the integration of the HR functions of some of the businesses acquired by the Group in recent years. Thus a general integration of HR policies is still in progress. Asset Finance, C&G and Lloyds UDT still have specific HR arrangements and policies. While there is not always reporting to the centre from these businesses, central HR is a key point of reference, and overall there seems to be a strong management will towards the integration of the different non-traditional banking businesses. The long process of harmonisation of terms and conditions which followed the Lloyds-TSB merger continued with the later business acquisitions, which means that the majority of employees are now under harmonised 'Group terms and conditions', the core of which applies across the Group with the detail determined within each business.

6.3.4.2 International Coordination of HR

With the exception of some businesses within the global wholesale banking division there is a high degree of HR autonomy at subsidiary level, both within the European businesses of the Group and beyond. Decentralization takes place in the form of *ad hoc* meetings between HR managers at international level, autonomous HR policies and no cross-country HR measurement and control systems.

6.3.5 Industrial Relations in LTSB

Both management and union officials interviewed agree that IR within LTSB in the UK is generally 'harmonious'. Nevertheless, the fact that the workforce is strongly divided between two unions that barely communicate provides a potential area of conflict.

6.3.5.1 Trade Union Recognition

LTSB Group in the UK recognises a number of trade unions. Trade union density levels are high in LTSB, with around 63% of the staff unionized. The company-based Lloyds TSB Trade Union (LTU) and the TUC affiliate Unifi are the two largest trade unions, with around 40,000 and 10,000 members respectively. In addition, recognition to some other trade unions has been maintained following the acquisition of organisations where they were recognised; Amicus-MSF in Scottish Widows and GMB in Charter Trust.⁴⁷ With the exception of these two divisions, LTU and Unifi have recognition rights for bargaining at national company level. There are also currently negotiations for Unifi and LTU to gain the same rights within Scottish Widows, leaving rights for negotiation at local level to Amicus-MSF. Consultation and negotiation are conducted separately between the management team and the different trade unions. Negotiating rights are

⁴⁷Amicus MSF stands for Amicus Manufacturing, Science and Finance Union, and GMB for British General Union. In C&G there is no staff association.

recognised for all management and administrative staff levels except very senior management positions.

Relations between the two main trade unions are qualified as ‘competitive’. Interest in a potential merger between them appears to rest in Unifi; LTU has continuously rejected the idea. A Unifi official interviewed maintained: **“we would like to see ourselves and LTU merge so that we would have union rights across the finance sector, and that's a Unifi policy overall, ... if you don't have competition you don't have to worry about other unions undermining you or trying to do things differently”**.⁴⁸

An EWC member from Unifi described the situation: **“LTU just wouldn't speak to us and we don't go into negotiations together. It is only in two occasions that we sit at a table together, job evaluations and EWC”**.⁴⁹ The strong division between the two main unions can be traced back to their origins. Whereas LTU is an in-house staff trade union with high levels of representation at management levels, Unifi is the result of the merger between two finance unions, one of which (BIFU) was the recognised union in Lloyds Bank with no management representation. A Unifi representative commented: **“LTU was set up years ago to keep the trade unions out of the Bank, and although they are independent now they remain in competition with us in terms of representing staff”**.⁵⁰

Another point of interest mentioned by several union representatives was the lack of a common organisational ‘culture’ among the Group employees. The recent and numerous mergers and acquisitions of the entities making up the Group have not yet resulted in a homogeneous entity where staff feels identified with a common ‘company culture’. A union official noted that **“at national committee level we have**

⁴⁸ Interview with trade union member - Unifi (June, 2001).

⁴⁹ Interview with EWC member - Unifi (June, 2001).

representatives from all the various divisions within the Bank, and some people or groups still see themselves as being separate and not very integrated”.⁵¹ However, he also explained that this is expected to change in the medium to long-term given that Group management is currently pushing the idea of a ‘Group’ philosophy.

6.3.5.2 Collective Bargaining Structure and Content

Collective bargaining over pay and employee ‘Group term and conditions’ is conducted at national company level for all employee levels, with around 95% of Group staff covered. This includes retail, commercial and wholesale banking except asset finance. Asset finance originated from UDT, Lloyds Bowater and Chartered Trust, companies that have been gradually annexed to LTSB Group, and negotiations on terms and conditions are dealt with separately. Some of the other businesses within the Group also have their own employment arrangements, such as Scottish Widows and C&G. Both management and unions are, however, interested in harmonizing terms and conditions for Group employees in the UK, and this has been in progress for the last few years.

Negotiations are carried out through the Joint National Committees (JNC), one for every recognised union. This situation often leads to long periods of negotiation, for example in the recent case on pay for IT staff, where the agreement reached by management and Unifi was not initially signed by LTU. The company collective agreement covers issues such as pay, hours of work, job security, and flexibility. There is annual pay bargaining, with a pay review around April, although the design and implementation of productivity measures are not subjected to negotiation. Other bonuses given on a discretionary basis and often on an individual basis by Bank

⁵⁰ Interview with trade union member - Unifi (July 2001).

⁵¹ Interview with trade union official - Unifi (June 2001).

management are not subjected to negotiation either. Issues such as design of incentive schemes and bonuses are consulted with the union at national bargaining level.

There is an increasing tendency to conduct negotiations at divisional or local level, partly as a result of the introduction of the new HR model by which the HR function becomes further integrated into each business. Negotiations at local level are conducted through *ad hoc* arrangements when issues appear, usually concerning working time or specific issues relating to that business division. There are also specific businesses, such as Card Services in the South East, Transmission Services in Birmingham, telephone centers, operations, and IT staff, which have separate bargaining arrangements.

6.3.5.3 Main HR/IR Changes and Implementation of these Changes

This Section explores the main changes affecting LTSB over recent years, and their HR/IR implications. An examination of how these have been dealt with enables a feel for the extent and nature of negotiation and consultation at company and local levels.

1. Bank restructuring

The 1995 Lloyds Bank-TSB merger led to the start of a lengthy process of business re-organisation within the new LTSB Group, alongside ongoing acquisitions of a number of other businesses. Regarding HR, the harmonization of employee terms and conditions has taken around six years. The process has been accompanied by the added effect of changes affecting the banking industry as a whole, such as the introduction of new technology and changes associated with the provision of services, which have resulted in decreasing employment levels. Between 1995 and 2001 staff numbers decreased by 20,076 (LTSB, 2001). Most of the rationalisation of employment has occurred within retail banking, and in particular within the branch network. This has

meant a dramatic reduction in the number of employees per branch: **“when I first joined the Bank 28 years ago, there were 35 people working in a branch whereas now you only have around six”**.⁵² In the majority of cases the excess staff from branches have either moved to other parts of the Bank or followed voluntary redundancy programs often aimed at older staff willing to leave with lump sums or pre-retirement schemes. There have been few compulsory redundancies to date. In the words of a union official, **“the only departments that have been made redundant have been some specialist departments, some in the Treasury and some very specialist roles where they can't do re-deployment, but you are talking of less than 100 over 5 years”**.⁵³ Alongside staff reductions and the introduction of new technologies has been the minimization of back office activities in the branch network, consolidating processing operations into large-scale processing centres.⁵⁴ A global processing initiative was launched in 2003 with an experimental processing centre in India. While the unions showed opposition to the idea because of the potential implications for future LTSB employment in the UK, the project went ahead.

The 1996 Job Security Agreement regulates negotiation and consultation over employment levels in LTSB. Employment levels and the harmonization of terms and conditions have been negotiated with the unions, mostly at national level, although occasional divisional negotiations have been carried out. However, this issue is acquiring an increasing profile and has started to be discussed at the Joint Negotiating Committee (JNC). When asked whether employee representatives are informed about mergers, restructuring or future plans, Unifi sources maintained that **“on the main we**

⁵² Interview with employee representative - Unifi (July 2001).

⁵³ Interview with trade union official - Unifi (May 2001).

⁵⁴ This is part of the ‘efficiency program’, announced by the Group in February 2000, which includes the centralisation of computer operations, the expansion of lower cost delivery channels (such as telephone and Internet banking), and the rationalisation of non-personal banking activities through the progressive sharing and consolidation of operational functions.

are consulted or advised but not always with enough time, so it would be nice to have more support from legislation and to have information earlier”.⁵⁵

2. Outsourcing and the Introduction of New Technologies

Outsourcing in LTSB includes non-banking services such as cleaning and security services, as well as areas regarded as typical banking activities such as processing and cash handling services. In August 2000, the Group announced the creation of IPSL, a new payments processing company. IPSL is jointly owned by LTSB Group, Unisys and Barclays, and handles all the Group's check-processing activities (LTSB, 2000). Numerous LTSB cash centres have been sub-contracted to Unisys, an independent IT company, to which LTSB staff have been transferred. Legislation establishes that consultation with the unions must be carried out on staff transfers. This is generally the case in LTSB, in particular in the case of larger staff transfers whereby the terms and conditions of the transferred staff have been negotiated at divisional level.

The use of temporary agency workers is also a practice in LTSB, particularly in operation centres where processing or telephone banking is carried out. The terms and conditions of part-time staff in LTSB are part of the collective bargaining agreement and therefore subject to negotiations at national company level.

3. Flexibility and Working Time

With effect from January 2000 'flexible contracts' for new entrants were introduced with two main variations from the existing 'old contracts': more flexible working time in the branches and less favorable pension terms. The changes were subjected to negotiation at national company level. Other contracts specific to certain areas of the

⁵⁵ Interview with trade union official - Unifi (June 2001).

business, such as call centres, are negotiated at divisional level with the unions, and only if there is a dispute will this go to the national level (to the JNC subcommittees rather than the JNC itself).

Working time is negotiated nationally with the unions as it is a contractual issue as part of the general terms and conditions. Additional working time arrangements at business level are negotiated at that level with the unions, with only disputes being referred to the national level in the consultative subcommittees of the JNC. In addition, there are also individual negotiations between managers at local/divisional level and staff over working hours. Overall, the union tries to make sure that working hours are not changed without acceptable notice and tries to oversee the issue of unpaid overtime. The issue of working time is related to the work-life balance campaign currently on the union's agenda, and reflecting a widening of the traditional union concerns of pay and terms and conditions. A number of sub-committees of the JNC have started to be developed as more 'specialist' subcommittees to encourage participation and dialogue. As an union official explained: **"issues like unpaid overtime, work-life balance and gender equality are relatively new for the JNC; instead we have proposed to deal with it slightly separately because we feel it is more likely to lead to a more modern and participative dialogue if you have got specialists in there rather than generalist which tend to be more traditional about things".**⁵⁶

4. Pay and Systems of Variable Remuneration

As generally across the sector, remuneration systems have undergone significant changes in LTSB over recent years. In terms of pay awards, there has been a move from across the board pay increases to a system that differentiates according to local market rates and it is based on pay-pots for performance pay. Although there was consultation

over the introduction of variable pay through a pay-pot system in 1997-98, no actual agreement was reached with the unions. Actual negotiations at central level are based on the size of the annual pay-pot. The implementation and distribution of the pay-pot is however more decentralised at business level and a cause of tension for unions that would like to see less discretion from local managers on its distribution. Increasingly there is not a formalised line between consultation and negotiation and, as management reported, informal debate outside the formal IR structure is a common practice in LTSB over recent years.

Although a relatively peaceful IR climate has predominated in LTSB, the extensive process of restructuring and organisational change experienced by the Bank (and its HR/IR implications), and a number of unilaterally introduced management initiatives, have seen increasing dissatisfaction of the part of the unions in recent years.

6.3.6 Transnational Information and Consultation: LTSB European Employee Forum

An EWC at Group level was established in 1999. Although Unifi initially requested the EWC in 1996, priority was given to the integration and harmonisation of terms and conditions following several mergers and acquisitions. As an IR manager explained, **“back in 1996-97 Unifi wanted us to spend time on setting up an EWC, and I had lengthy debates with the officials, asking them whether they preferred to concentrate on creating a structure for the 60-70,000 UK-based staff or setting up an EWC which covered around 1,000 people. They decided that they rather concentrated on where their members were, so IR was very inward looking back then”**.⁵⁷ Once significant advances were achieved regarding integration, Bank

⁵⁶ Interview with union official from Unifi - LTSB (Sept. 2002).

⁵⁷ Interview with IR manager-central HR (December 2002).

management expressed interest in setting up an Art. 6 EWC before the deadline for voluntary agreements following the UK opt-in to the Social Chapter.

There is one EWC meeting per year, and a total of three EWCs up to December 2002, each lasting half a day. No extraordinary EWC meetings have been held to date. The Group's Deputy Chief Executive chairs the EWC. On the management side a team of UK based management sit as fixed members. These are the head of Group HR, the HR business partner for international, and the head of Group IR. The employee side is formed by 19 employee representatives, of which 14 are from the UK. Unifi and LTU have five seats each, and the C&G staff association, MSF from Scottish Widows, GMB from Charter Trust, and the non-recognised part of the Group each have one seat. In the UK, EWC members are chosen either by their respective union or by the staff themselves in non-recognised areas of the Group. Spain is the only other European country with more than 150 employees and holds one EWC seat. Spanish representatives have not, however, attended any EWCs. As a result, the first two EWC meetings were attended by UK representatives only, and thus had a strongly focused UK agenda. From 2002 a full member seat was conceded to each of the Netherlands, France, Belgium and Luxembourg (countries with less than 150 employees), who in the previous years had attended as invited guests with no voting rights. Furthermore, in 2003 Switzerland, Monaco and Gibraltar attended as observers and will become full members in 2004. An employee-only half-day pre-meeting took place for the first time in 2003, directly before the EWC meeting.

Management Attitude to the EWC

Lack of management interest partly accounts for the three-year delay in the establishment of the EWC from the 1996 deadline for Art. 13 voluntary agreements to

the 1999 deadline for Art. 6 voluntary agreements. The large restructuring process undertaken by the Group in the UK during the 1990s was seen to be Group's management priority before committing resources to a European-level body. The relatively small significance of the Group's operations in mainland Europe has done little to alleviate the initial lack of emphasis of Group management in the EWC. Nevertheless a more enthusiastic approach about the role of the EWC has been demonstrated by management in recent months in parallel with their increasing involvement in European social policy developments. Group management interviewed from the employee relations department maintained that increasing time was being spent on company issues affected by EU legislation and less on UK-only matters. In relation to this, the head of the Group's IR function has become in the course of recent years one of two British members of the European Banking Industry Federation, representing the BBA. This more enthusiastic approach is also reflected in the extension of representation rights within the EWC to a number of countries that do not reach the legal threshold of staff numbers set out in the Directive. Management interviewed stated that their increased interest in the EWC was due to a desire to establish the appropriate structures in preparation for the prospects of the Group's international expansion, particularly in Europe.

Employee-Side Attitude to the EWC

In its short 'life', the EWC has not achieved a high profile among LTSB workforce. One of the main reasons put forward by employee representatives was the small impact of EWC activity on employees' working lives as a consequence of its low profile and activity in the initial stages and the lack of common transnational issues. In terms of dissemination, a communication called 'European Newsletter' is edited from both the Bank and the unions and is produced following the EWC meeting to be distributed

among the European workforce. 'Front Runner', another internal publication distributed across the UK, also occasionally contains information on the EWC.

The majority of the British EWC members are also members of their respective trade union national committees, which means a direct link between the EWC and the national structures for employee representation. However in the case of the non-unionised areas of the Group, the EWC has brought the possibility of collective employee representation to staff. At domestic level, support on the employee side is widely divided between the very supportive views of the trade unions affiliated to the TUC and the more sceptical views of those from the LTU. The former see the EWC as a potential advantage in terms of strengthening the role and position of trade unions. Unifi sources expressed that **"the EWC has heightened the role of the trade union in terms of meeting management at senior level. I think LTSB management now recognises that they have to consult with us, not only in the UK but at European level"**.⁵⁸ Unifi also viewed the EWC as a tool for establishing international trade union contacts in other parts of the Group to strengthen their position and knowledge within the Group. Nevertheless, interviews with employee representatives highlighted a general dissatisfaction with the nature and extent of information provided at the EWC meetings to date, as a result of delays in providing relevant information, short notice in distributing the agenda to delegates, management priority to national bodies of employee representation, and confidentiality related issues which deprived employee representatives of relevant information

Issues discussed/Agenda

At the end of the first EWC meeting in April 2000, it was agreed to set up a 'review committee'. This committee is in charge of setting the EWC agenda and meets on an *ad*

hoc basis. The review committee is formed by the UK Head of IR, and three employee representatives (from Unifi, Amicus-MSF and the non-unionized parts of the Group). The Head of IR reported that in 2003 the review committee would be expanded with a fourth employee representative, likely to be from another European country. A management-only steering committee formed by the head of Group IR, the HR business partner for international and the head of strategic planning outlines the EWC agenda. This proposed agenda is then sent to the review committee for suggestions, and is finalised in early March to be circulated four to six weeks before the EWC meeting.

Given the short history of LTBS's EWC, interviews with trade union representatives and management reflected a widespread feeling around the EWC of still 'finding their feet'. Furthermore the fact that Group operations in Europe are mainly concentrated in two countries (the UK and Spain) appeared to add to the limitations given the lack of existing transnational issues affecting more than one country.

6.4 CONCLUSION

This Chapter has introduced the main features of HSBC and LTBS Groups, two of the UK's largest UK financial groups. HSBC is characterised by an extensive worldwide presence whose operations in Europe became much more significant following the acquisition of the French CCF Group. Although the Group is still primarily multi-domestic, signs of multi-regionalism are starting to appear, particularly in Europe. IR have also significantly changed in the UK, following alterations in the union and management team. There is more co-operative dialogue between the two sides, something that has been reflected in the extent of information, consultation and negotiation of HR/IR related issues, and agreements recently reached following the Group's strategy on global processing. The Group has a Group-wide EWC, established

⁵⁸ Interview with trade union official - Unifi (June 2001).

in 1996, but mainly dormant until the acquisition of CCF, which has given it a new impetus. LTSB on the other hand, despite having a significant international presence, remains largely a British business with less of a global identity and presence, and is largely multi-domestic in its operation. Its IR are cooperative but extensively inward focused on a complex process of harmonisation following the integration of several financial institutions in the UK in recent years. A Group-wide EWC exists since 1999, although with little sign of being effectively operating.

Chapter 7

CASE STUDIES: THE SPANISH BANKS

7.1 INTRODUCTION

This Chapter provides background information to the cases, introducing key features of the two main Spanish-based banks. Analysis around these cases will later be developed in Chapters 9 and 10. In Section 7.2 and 7.3 BSCH and BBVA Groups are presented respectively. The information mainly focuses on the activities and characteristics of the two groups at the time the research was conducted, although there are also historical references. The chapter is based on the fieldwork conducted in both Groups from 2001 to the end of 2002, mainly in the banks' premises in Madrid, Barcelona and London.

7.2 BANCO SANTADER CENTRAL HISPANO GROUP (BSCH GROUP)

7.2.1 Group History

BSCH emerged in January 1999 as the result of a merger between two large Spanish banks, Banco Santander (BS) and Banco Central Hispano (BCH). BSCH was initially co-chaired by Emilio Botín (from BS) and Jose Maria Amúsategui (from BCH), with Mr. Botín continuing as the only president from 2002. BCH was the result of a previous merger between Banco Central and Banco Hispanoamerica, two of the seven large banks that had dominated the Spanish banking system during the 1970s and the first half of the 1980s. BS on the other hand had acquired Banesto Bank in 1994 through a

public bid.⁵⁹ Once created, BSCH maintained the policy of differentiated brands, both with regards to BS and BCH, as well as Banesto. Only in 2001 did the Bank strategy change towards a single BSCH brand policy, although maintaining Banesto as separate.

The history of the Group's internationalisation can be best understood by examining that of its predecessors. BS's internationalisation strategy began in the 1950s with expansion towards Latin America through operating branches and offices of representation. Later on, BS entered the European market, initially through branches and offices of representation, and later through acquisitions, mainly in Southern Europe, and financial participation in major European banks. Presence in both the US and the Asia-Pacific region was achieved through organic growth, with the establishment of BS's own subsidiaries. BCH's more aggressive strategy of expansion in Latin America and Europe was based on external growth through major financial participation in local entities. In Europe, expansion was directed mainly to countries of certain cultural or geographical proximity, such as Portugal, Italy and France. Over the last decade or so, however, BSCH and its predecessors have focused on Latin America as the key target of their international operations, with numerous mergers and local acquisitions, and the occasional strengthening of financial participation in existing alliances. The low degree of maturity of financial markets in most Latin American countries, combined with economic crises, have been considered as key advantages of investing in the area.

7.2.2 Group Activities and International Operations

BSCH is a large diversified Spanish financial group operating in 40 different countries in Europe, America, Asia, Africa and Australasia. The Group employs 114,927 people, of which 42,165 are based in Spain and 72,762 overseas, mainly in Latin America.

⁵⁹ Banesto was originally a French financial institution, formed in 1902, and was converted to Spanish capital following the Second World War (BSCH, 1999:14).

Likewise, the number of overseas branches (5,108) outnumbers the domestic branch network (4,316). In Latin America BSCH has operations in 12 countries, managing 16 banks and accounting for a market share of around 10% (BSCH, 2001b:5). Table 7.1 shows the geographical and business-based desegregation of profits and employment.

Table 7.1: BSCH’s Profits and Employment Numbers per Business Area

Business Areas	Profits after tax (percentage)	Employment Numbers
Retail and Commercial Banking	64%	105,483
BSCH Spain	19%	24,619
Banesto	9%	10,577
Europe	5%	2,500*
Latin America	31%	67,783
Asset Management and Private Banking	9%	6,804
Global Wholesale Banking	9%	2,640
Industrial Group and	18%	n/a

Source: BSCH corporate website (www.gruposantander.com/es) - 31/12/2001

*Approximate figure

The Group’s strategy in Latin America revolves around the ‘America Project’, a two-year plan based on strategic participation in banks and other financial institutions with high potential for growth.⁶⁰ Integrated within this is a policy based on combining global and local management in order to adapt to each country’s market circumstances. Tables 7.a and 7.b in the appendix illustrate the Group’s operations in the Latin American continent.

BSCH’s presence in Europe, although growing, is considerably less important than that in Latin America. The largest presence is in Portugal, where there are around 800 employees, and the acquisition of Bank Totta & Açores and Crédito Predial Português increased their market share from 2% to 10%, and meant the reorganisation of the BSCH structure in that country (BSCH, 2001b:13). As Table 7.2 shows, the Group has commercial banking activities in three other European countries and in Gibraltar,

⁶⁰ The main axes of this project are improvements in profitability, increased efficiency and increased market share. Demonstrating some degree of success, the net profits of BSCH in Latin America have increased considerably in recent years, almost doubling from \$585 million in 1999 to \$1.010 in 2000 (BSCH 2001b:21).

through a number of banks in which they wholly or partially participate. The group also has offices of representation in Holland, the Czech Republic, Switzerland, the UK, Hungary, France and Italy, all of which operate asset management and private banking activities, as well in Luxembourg and Ireland where wholesale banking is also conducted. In terms of more general European presence, BSCH's position is completed by strategic financial alliances in three important banks; San Paolo IMI in Italy (6,48%), Commerzbank in Germany (3,37%), and the Royal Bank of Scotland in the UK (5%) (BSCH, 2002).

However, the bank is not an independent company within the Group, with its own brand,

Table 7.2: BSCH's Operations in Europe

Country	Activity	Bank	%Participation
Portugal	Retail and Commercial Banking	Banco Totta Açores	100%
		Credito Predial Português	100%
		Banco Santander Portugal	82%
Germany	Commercial Banking	CC Bank	100%
	Commercial Banking	Santander Direkt Bank	100%
Italy	Commercial Banking	Finconsumo	50%
Belgium	Commercial Banking	SCH Benelux	100%
Gibraltar	Commercial Banking	Hispano Commerzbank Gibraltar	50%
	Commercial Banking	Royal Bank of Scotland-Nat West Gibraltar	50%

Source: BSCH 2001b (31/12/00)

However, the bank is not an independent company within the Group, with its own brand,

Thus despite the Group's significant presence in Europe, it is clear that its international business is strongly focused in Latin America, which represents an integral part of the Group in terms of branch network, number of clients, and net profits (see Table 7.3).

However, the bank is not an independent company within the Group, with its own brand,

Table 7.3: Summary of BSCH Group

Indicator	Spain	Latin America	Rest of the World
Number of branches (%)	5,518 (50,9%)	4,638 (42,8%)	671 (6,1%)
Clients (millions) (%)	10,3 (29,3%)	21 (59,8%)	3,8 (10.8%)
Net Profits in Retail and Commercial Banking (% of total Group profits)	33% BS-CH 22% Banesto 11%	24%	3% (Europe)

(Source: HSBC 2001b - 31/12/00)

However, the bank is not an independent company within the Group, with its own brand,

BSCH's business areas are as follows: Retail and Commercial Banking Spain; Banesto; Retail and Commercial Banking - Foreign Operations; Asset Management and Private

Banking; Global Wholesale Banking; and Corporate Activities. Retail and Commercial banking is the main activity, accounting for more than half of the Group's total profits, followed by wholesale banking with 11% of net profits.

Retail and Commercial Banking Spain includes the branch networks of BS and BCH, (which have merged during the course of this study into a single BSCH brand), as well as telephone and Internet banking.

Banesto operates as an independent company within the Group, with its own brand, business strategy and corporate structure. Although Banesto's operations embrace retail, corporate and investment banking, retail banking remains its main activity.

Retail and Commercial Banking - Foreign Operations involves the Group's retail and commercial banking activities overseas; both in Europe (Germany, Belgium, Italy, Portugal and Gibraltar) and Latin America (Argentina, Bolivia, Brasil, Colombia, Chile, Mexico, Panama, Paraguay, Puerto Rico, Uruguay and Venezuela).

Asset management and private banking comprises two main parts. Asset Management operates through Santander Central Hispano (SCH) Asset Management, SCH Insurance, and local brands in Latin America. Private banking is divided into Private Banking Spain (BSN Banif) and International Private Banking SCH, with offices in the Bahamas, Miami, Switzerland and Guernsey.

Global wholesale banking involves corporate banking, treasury and stock markets, and investment banking. Business is conducted through the Group's own branches and offices of representation in foreign countries, as well as foreign societies. Abroad,

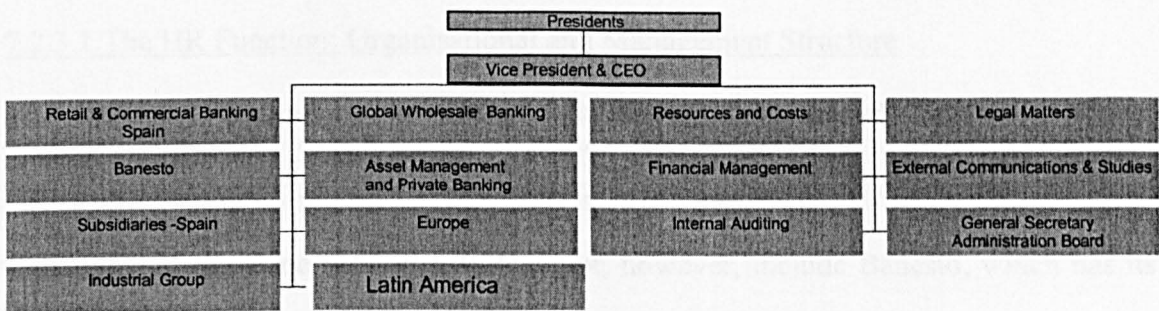
activities take place within the Group’s local banks in Latin America, BSN Banif Portugal and Banco Santander Filipinas.

Corporate Activities primarily involves the management of the financial participation of the Group in industrial firms.

7.2.3 Organisational Structure

The Group’s internal structure is organised into 14 divisions, creating a mixed product and geographical divisional structure. Whereas some divisions, such as *global wholesale banking* or *asset management and private banking*, are based on product criteria with operations extending over domestic borders, others, such as *Europe*, *Latin America* or *Retail and Commercial Banking - Spain*, are based on geographical criteria.

Figure 7.1: BSCH Group Organisational Chart



A geographically-based division exists for retail and commercial activities in Spain, with the exception of Banesto, which is run separately from its own division. The *Latin America* division embraces the Group’s retail, commercial and wholesale operations (including asset management and private banking) in that region, with activities carried out mainly through subsidiaries. While the day-to-day management of these activities chiefly depends from the subsidiary banks, there is also a supervisory relationship with the *Latin America* division at HQ. This division has an array of sub-divisions, in charge

both of different business areas (retail and commercial, wholesale, and asset management and private) and the various functional areas (e.g. risk, legal matters and HR). Indeed, the presence of functional sub-divisions signals the importance attached to this division within the Group and to the ‘multi-regional’ approach adopted for its management. In the case of wholesale, asset management and private banking, there is dependency from the respective global divisions at HQ, articulated through the *Latin America* division, where support teams are based and from where group policy decisions for that region emanate. *Global wholesale banking*, and *asset management and private banking* are two global divisions with operations in Spain and overseas. The *Europe* division, although also geographically based, is distinct from the Latin American division since relationships with subsidiaries are based around financial supervision as opposed to more coordinated management control. The European division also includes the Group’s activities in nearby regions such as North Africa.⁶¹

7.2.3.1 The HR Function: Organisational and Management Structure

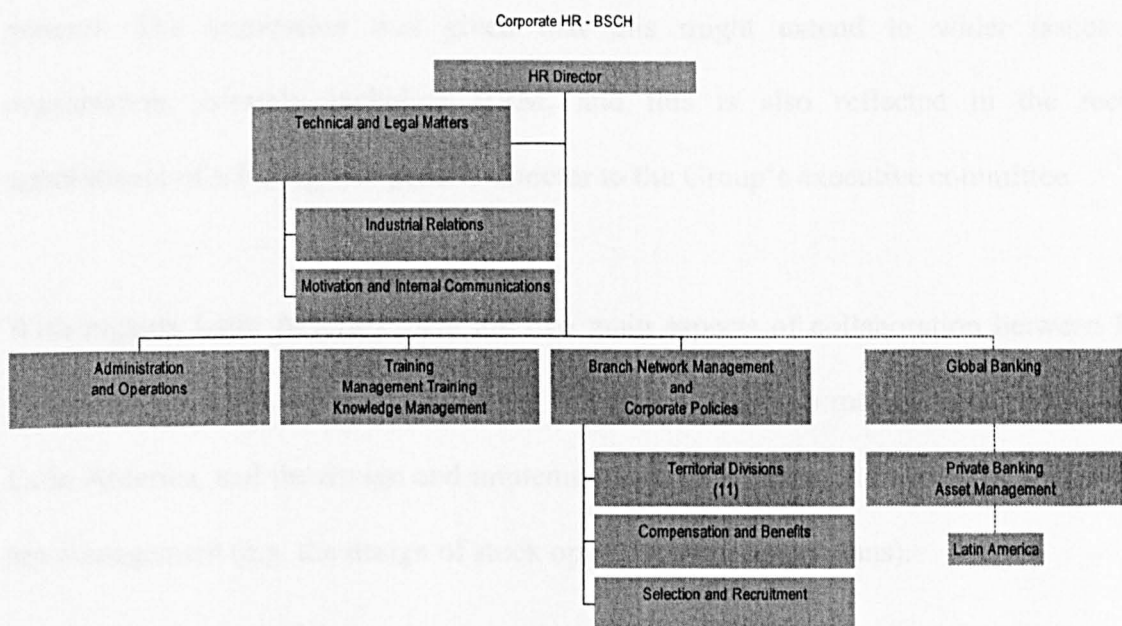
The central HR function is strongly domestically orientated, organised almost exclusively around BSCH’s retail and commercial banking operations in Spain (integrated in the same network). It does not, however, include Banesto, which has its own HR department and policies. Decentralisation predominates in the retail and commercial foreign operations, whereby each local bank has its own HR function and policies. Nonetheless a degree of homogenisation is provided in Latin America through the *Latin America* division at HQ, which has its own HR department. This is also the case for business areas such as global wholesale banking and asset management and private banking, which have their own HR, which depends also from central HR.

⁶¹ These take the form of participation in financial institutions in Morocco (Banque Commerciale du Maroc), Tunisia (Banque d’Affaires) and Egypt (MISR International Bank).

HR Function in Spain

This unit is organised into three main areas: Administration and Operations, Training and Knowledge Management, and Branch Network Management and Corporate Policies. Geographically, the HR function is organised in 11 HR territorial units. These correspond to the 12 business divisions in which the Bank's retail and commercial branch network are organised within Spain (Madrid has two business divisions and only one HR unit). These territorial divisions provide services to both the BS and BCH networks (unified since September 2001), and operate with a high degree of autonomy in issues related to staff movements, promotions or new appointments.

Figure 7.2: Structure of the BSCH Corporate HR Function



The central IR function is part of central HR. The IR manager of the Group maintained that **“IR in the BSCH Group primarily concerns retail and commercial banking, where the majority of the staff are”**,⁶² indicating a low level of interference of IR in other business areas where a more individualistic approach predominates. Although the central IR function services both domestic and international operations, decentralisation

⁶² Interview with IR Group manager (July 2001).

prevails in overseas operations. There, the role of corporate IR is to enact a set of Group principles (dialogue and participation), and provide guidance and technical assistance to ensure a degree of coherence.

With regards the relation between central HR and the Group's European operations (other than Spain), there is little interaction in terms of managing the overseas branch networks, as European operations concern mainly wholesale banking. Portugal, however, represents an exception because of its physical and cultural proximity. Interviews with Group management reflected that closer integration among the businesses in Spain and Portugal was taking place, and a further 'coming together' anticipated. Examples include product homogenisation and commercial strategy in general. The impression was given that this might extend to wider issues of organisation, possibly including HRM, and this is also reflected in the recent appointment of a Portuguese general director to the Group's executive committee.

With regards Latin America there are two main aspects of collaboration between HR Spain and HR Latin America. These are the provision of top management positions in Latin America, and the design and implementation of remuneration policies, mainly for top management (e.g. the design of stock option remuneration plans).

International HR Function

There is not an international function as such in BSCH Group. However the *Latin America* division has its own HR function that generates general policies and principles to be adopted by subsidiaries. Two other divisions (global wholesale banking, and asset management and private banking) also have their own HR functions.

7.2.4 HR Policy and Practice in BSCH

7.2.4.1 Home Country Coordination of HR

BSCH has relatively high coordination of HR policy and practice, including with regards terms and conditions of employment, pay scales and grades. There is, however, more diversity than in BBVA. Two main factors account for this. Firstly, Banesto operates separately in terms of management structure and HR policies. Secondly, the two retail banking brands representative of BSCH in Spain operated separately (with different policies, corporate cultures and independent resources) until September 2001. Traditionally, HRM in BS has been more decentralised than in BCH, with higher autonomy at the HR territorial units. BSCH is moving towards the integration of BS and BCH working methods, with the aim of following BS culture whereby territorial units have greater autonomy to apply centrally determined policies.

7.2.4.2 International Coordination of HR

Overall, the Group's retail and commercial operations are decentralised internationally. However, the majority of international BSCH branded activities are in Latin America, whereby the *Latin America* division establishes some degree of coordination through its own HR unit. Regarding wholesale banking, asset management and private banking, activities are organised in two global divisions with strong HR coordination within each division. For example, a system of internal grading has recently been implemented by which there are standard grade and job categories to be applied both nationally and internationally. Overseas operations report directly to the central divisions in terms of individual objectives, performance evaluation and remuneration, which are all approved centrally. Likewise, benchmarking of performance measures is widespread across the international operations in order to achieve internal balance. The wholesale, asset management and private banking activities of the Group in Latin America, although

depending hierarchically from the local subsidiaries, also depend functionally from the respective central divisions, with a high degree HR coordination. As the HR manager in *Global Wholesale Banking* noted: **“when we nominate a person responsible for equities in e.g Argentina, we try to ensure that the person responsible for that area here in Spain can have an opinion in order to discuss it with us in the ‘Latin America’ division, and similarly when at the end of the year we want to discuss variable retribution or the bonus plan, we do it jointly”**.⁶³

7.2.5 *Industrial Relations in BSCH*

7.2.5.1 Trade Union Recognition

Trade union density is around 35% of the total workforce in BSCH Spain (this does not include Banesto), spread among an array of unions. Whereas some unions (UGT, CC.OO or AMI) operate at national level with recognition for all BSCH-branded Spanish operations, others (LAB or ELA in the Basque-Country) have a regional scope of operation. A system of proportional representation via union elections takes place every four years (the last in December 2002), and only those with more than 10% of nation-wide representation in the Bank have collective bargaining rights. CC.OO and UGT are the most widely represented in BSCH through their industry federations Comfia and Fes,⁶⁴ which have 30.8% and 29,44% of representation respectively. Negotiations however also take place with two other unions, AMI and FITC, which hold around 14% and 7% of representation respectively (see Table 7.c in the Appendix for the representation levels of all trade unions in the Bank).

In parallel with the employee representation system via trade unions, a dual system of representation exists through works councils at regional and divisional/local level.

⁶³ Interview with HR Manager – Global Wholesale Banking (July 2001).

⁶⁴ Comfia (Federación de Servicios Administrativos y Financieros); Fes (Federación Estatal de Servicios)

Works councils exist in their own right in workplaces with more than 50 employees, and otherwise a grouping process allows the establishment of a works councils at regional level. There is a council in each region, with the exception of larger cities like Madrid or Barcelona that often have more. Nevertheless, works councils tend to have a nominal rather than active role; to measure representation levels by the different trade unions rather than to engage in consultation or collective bargaining activity .

Management-union relations within BSCH

Signs of a confrontational-style relationship characterises IR in BSCH, something that restrains more positive relations and further cooperation. Words like “fight”, “they and us” or “compete” were often mentioned in the interviews conducted both with management and union sources. A union official maintained that **“the will of the Bank is not to achieve closer relations with the trade unions, but to limit our activities and scope to the minimum legal...you have to fight for the space constantly”**.⁶⁵ Issues of work organisation are considered the prerogative of the Bank, and it is claimed to be a constant subject of petition for collaboration by unions. However, support from Spanish labour legislation has allowed the trade union confederations to reach sector agreements for temporary employees and telephone banking. It has even facilitated the collective agreement on temporary work agencies, by which temporary employees (e.g. those working in the banks) are entitled to receive an equal salary to that of the employee being replaced.

7.2.5.2 Collective Bargaining Structure and Content

The sector agreement applies generally across all parts of BSCH operations in Spain, although there is a higher proportion of employees in retail and commercial banking

⁶⁵ Interview with trade union officer - CCOO (July 2001).

activities whose terms and conditions are more aligned with the sector agreement.⁶⁶ Other areas, including wholesale banking, are characterised by their more international nature and the employment of highly qualified staff. Although in some of these areas the collective agreement might be of relevance, staff terms and conditions are more likely to be subjected to individual negotiation.

Alongside the sector agreement, company-wide negotiations between management and unions occur over certain issues on an *ad hoc* basis. Such agreements take place between unions and management at national company level, with no operative works councils at this level. Negotiations are conducted through the trade unions separately. The areas covered in these agreements vary each year; examples of recent years include company collective agreements on employment, the terms and conditions of banking services and social benefits.⁶⁷ The agreement on employment, for example, includes the percentage of contracts offered to people employed on a temporary basis, the agreed volume of employment for the year and the types of employment contracts. Company level agreements in addition to the sector agreement can only improve the conditions set in the later. Issues such as working time, non-variable salary or non-performance-based bonuses are established at the sector agreement. Although most agreements are national, at divisional/local level some agreements take place regarding specific issues concerning the nature of the work and specificity of the workplace in question (working time, flexible hours, health and safety). Local/divisional agreements generally take place between unions at that particular level and management, with again often inoperative works councils.

⁶⁶ The majority of BSCH employees in retail and commercial banking have greater seniority, often with twenty or more years of service. Trade union affiliation tends also to be higher in retail and commercial banking operations.

⁶⁷ Further recent examples include an agreement on the homogenisation of working time, post merger (Jan. 2000); a holiday agreement (May 2000); an agreement on collective life insurance (May 2000); and an agreement on special banking conditions (July 2000).

Trade union input in BSCH is particularly concentrated among older employees with 20-30 years of service, in mainly administrative tasks in retail and commercial banking. Employee terms and conditions in other segments of the bank, and for new staff, increasingly fall outside the sector agreement or are individually negotiated.

7.2.5.3 Main HR/IR Changes and Implementation of these Changes

This Section explores the main changes affecting BSCH over recent years, and their HR/IR implications. An examination of how these have been dealt with enables a feel for the extent and nature of negotiation and consultation at company and local levels.

1. Bank Restructuring

Following the BS-BCH merger, the Group has pursued a marked policy of cost reduction and improved efficiency that has resulted in a considerable reduction of the Spanish branch network (both BS and BCH). In 2000 alone the Group closed around 500 branches (BSCH, 2000:29). The closure of branches has had an important effect in terms of employment. In 1999 BSCH had around 32,000 employees in Spain, and at the end of 2000 this figure had been reduced to around 27,000. In almost all redundancy cases company-wide collective agreements have guaranteed a smooth adjustment, mainly via pre-retirement schemes whose terms and conditions had been negotiated with the main unions at national company level. The main banks in Spain play a central role in the economy, but equally important for their success is their social image, and large-scale redundancies are feared to provoke social outcry. This factor, together with strict labour law provisions, probably lies behind the willingness of the Bank to agree to pre-retirement schemes.

2. Outsourcing and the Introduction of New Technologies

Over the years outsourcing has affected an increasing number of areas, such as internal mail, processing, telephone banking and marketing/promotion activities. Exact figures on the extent and detail of outsourcing activities in BSCH was difficult to obtain, but it appears to be an issue of trade union concern. Despite Spanish labour law determining that companies must provide unions with information on the extent of outsourcing activities, sources reported inaccuracies in the information provided. For example a union representative commented: **“when we get there, (outsourced) staff are not often where we were told”**.⁶⁸ An agreement between the main unions and management was reached so that subcontracting would not be used in areas considered the core business of the bank. Interviews with trade union officials, however, revealed that the agreement was in their view not respected, prompting them to denounce it to the labour tribunals. The trade unions claimed that BSCH is using ‘service’ firms to undertake work under bank premises and considered ‘core business’. Although the labour courts pronounced in favour of the unions, officers interviewed claimed that practices of this kind were still carried out. They suggested that there are several firms which have been segregated from BSCH, and from which only top management are under BSCH conditions.⁶⁹ These firms might be partially or totally owned by BSCH or might be independent firms. There is not consultation or negotiation with trade unions in this area, and representatives interviewed reiterated the lack of information from the Bank in terms of the activities subcontracted, despite a legal requirement. In reference to Gestel, a telephone-banking firm partly owned by the Group, a union representative noted: **“there is a telephone banking centre of BSCH which is officially from Gestel, but**

⁶⁸ Interview with trade union representative - CCOO (July 2001).

⁶⁹ Examples of companies segregated from BSCH are Open Bank. Examples of ‘service’ firms to which BSCH is outsourcing are Coritel and Humano.

from Gestel there are only a few, the rest is staff hired on a temporary basis so it is very difficult to establish union representation or maintain any kind of control”.⁷⁰

The use of temporary workers is closely related to outsourcing, since according to union sources, ‘service’ firms often use staff hired under less favourable economic conditions and often on a temporary basis. Moreover, union sources claimed that ‘service’ firms are sometimes part of temporary work agencies, and their emergence has partly responded to recent labour legislation by which the conditions of temporary employment levelled the conditions of permanent employees carrying out an equivalent job. As a result, ‘service’ firms, which do not have the status of temporary work agencies and thus are not covered by the sector agreement on temporary work agencies, can provide services with lower labour costs.

3. Flexibility and Working-Time

Regarding flexible contracts, legislation in Spain provides for trade unions to receive regular information on the types and number of contracts within companies. However, there is no consultation or negotiation over new contracts’ terms and conditions at company level. Negotiation over the terms and conditions of specific contracts, to adapt to the nature of the business and specific needs, were reported by union officials to be subjected to negotiations with unions at local/divisional level, but only occasionally. The normal course of events was for there to be no negotiation at this level.⁷¹

Working time is regulated under the sector agreement, which establishes the official working hours for bank employees. BSCH, and in particularly the BS network, however, has a reputation for long hours, an issue which appears at the centre of union-

⁷⁰ Interview with trade union officer - CCOO (July 2001).

⁷¹ Interview with trade union officer - CCOO (November 2002).

management differences in BSCH. A national survey conducted by the two main Spanish unions in the banking sector (Fes-UGT, 1997) highlighted BS as the Spanish bank with highest staff overtime rates (73,49% of staff, of which around 40% worked on average three hours extra per day). Consequently, union officials described the working time issue as **“an area of daily struggle with continuous disputes”**.⁷² In BCH, only around 28% of employees appeared to work longer hours than those established in the sector agreement (Fes-UGT, 1997). In various discussions with trade union representatives it became clear that BS culture in this regard was progressively taking-over since the merger, with increasing pressure among ex-BCH employees to extend their working hours. Since working time is officially established in the sector agreement, there is not further consultation or negotiation over this issue at national company level. Disputes tend to be individually-based with unions at regional/local level. Indeed, at regional/local and divisional level there are occasional agreements on working time because of the nature and business needs of certain parts of the business, with negotiations being carried out between unions and management at that level.

4. Pay and Systems of Variable Remuneration

Variable forms of remuneration have acquired increasing importance in BSCH in recent years. Not only has the percentage of the salary that is considered variable remuneration increased, but also the percentage of staff across the bank affected. In just one year, 1999/2000, this percentage grew from 85% to 95% (BSCH, 2001a:39). Variable remuneration is not regulated in the sector agreement, and neither are there company agreements in this area. Bank management unilaterally designs the systems of variable remuneration with scarce involvement of trade unions. A trade union official described that in certain cases a period of consultation with the main unions has taken place before

⁷² Interview with trade union official - CCOO (November 2002). Similar comments were mentioned by a number of other trade union members interviewed.

changes in systems of variable remuneration were made official, with the aim of achieving consensus.⁷³ Variable remuneration is not, however, subjected to negotiation at company level, and according to a union representative **“they (BSCH management) have changed a right (collective bargaining) for a unilateral decision, since what before used to be included in the collective agreement is now an increasingly variable part of the salary. The Bank is prepared to give, but not to negotiate”.**⁷⁴

The adversarial character of management-union relations in BSCH emerges from the review of these four areas. Whilst the unions have been able to achieve ‘social’ restructuring with the support provided by Spanish legislation, the dominance of the more aggressive and unilateral management style of BS (over BCH) has meant that management prerogative has emerged strongly in a number of areas of the employment contract.

7.2.6 Transnational Employee Information and Consultation

There is not an EWC in BSCH Group. At the time of the BS-BCH merger in 1999, management proposed the constitution of an EWC aligned to EU legal requirements. However, at the interviews with Group management and trade union officials no particular interest was shown by either group in a potential EWC. On the one hand, management did not see how an EWC could at present contribute to the Group’s activities given the nature of its European businesses, including size and type of business. On the other hand, the unions clearly were more interested in developing relations with their Latin American colleagues, where most of the Group’s workforce and operations outside of Spain are based. Indeed, a co-ordinating employee-only forum had been recently constituted, integrated by CC.OO and some of the main trade unions

⁷³ Interview with trade union officer - CCOO (November 2002).

⁷⁴ Interview with trade union representative - UGT (July 2001).

present in the BSCH Group in Latin American countries. The "*Coordinadora Hispano-Americana de Sindicatos Nacionales del BSCH*" was created in May 2001, during the celebration of the *IV Conference on Transnational Banking in Latin America*. The agreement was signed by trade unions with a presence in the BSCH Group in some of the countries where it operates: Comfia-CC.OO from Spain; CNB-CUT from Brasil; AEBU from Uruguay; FETRABAN from Paraguay; CSTEBA from Chile; AB from Argentina; and FENASIB from México. There is only one trade union per country, in order to avoid internal conflicts resulting from the potentially different positions of trade unions within any given country. The "*Coordinadora*" meets twice a year, although there is provision for extraordinary meetings when needed. The objectives of are to promote dialogue and understanding among the trade unions, as well as joint proposals aimed to improve the working and living conditions of BSCH employees in Latin America and Spain. Areas of special importance are working time, professional training, equal opportunities and a code of conduct for BSCH activities.

7.3 BANCO BILBAO VIZCAYA ARGENTARIA GROUP (BBVA GROUP)

7.3.1 Group History

BBVA emerged in 1999 following a merger between Banco Bilbao Vizcaya (BBV) and Argentaria.⁷⁵ Both banks were already the product of various mergers that had taken place over previous years. Banco Bilbao and Banco Vizcaya had merged in 1998 to create BBV, whereas Argentaria was a holding, created in 1991, grouping all public banks in Spain with the exception of I.C.O.⁷⁶ This holding would later be privatised, and at the time of privatisation was one the three main banking groups in Spain, together with BBV and Banco Central Hispano (BCH). The process of integration of the different entities was pushed by the decision to launch a single BBVA branding policy

⁷⁵ Argentaria Corporación Bancaria de España

⁷⁶ ICO stands for Instituto de Crédito Oficial

in January 2000, which also embraces several smaller banking businesses purchased by the Group over the years.⁷⁷

The international expansion of the Group has its origins in Paris, where Banco Bilbao opened a branch in 1902. Later on BBV's expansion was directed to Europe and Latin America. In Europe, expansion concentrated on the opening of BBV branches and representation offices as their own subsidiaries in countries of geographical proximity like Portugal. In Latin America expansion required high levels of investment through major financial participation in local entities and the creation of BBV branded subsidiaries. Since the BBV/Argentaria merger, presence in the Latin American markets has grown, mainly through external growth strategies build around mergers and acquisitions. In parallel, small local agencies have been acquired for the private pension fund part of the business. In Europe, BBVA has followed BBV's internationalisation strategy through further internal growth, with the creation of offices of representation and BBVA branches. In sum, nowadays the Group has a vast international presence, strongly concentrated in Latin America.

7.3.2. Group Activities and International Operations

BBVA Group is a large diversified group whose financial component has operations in 37 countries, and a network of 9,000 offices and 108,082 employees (BBVA, 2001). Of those, 33,733 (31,2%) work in Spanish territory, 72,349 (66,9%) in Latin America, and 2.067 (1,8%) in other areas of the world. The intensity of the expansion strategy in Latin America can be appreciated from figures regarding the number of employees in recent years; for example, in only a one-year period (1999-2000), the number of employees in Latin America grew from 49,286 to 72,349 (BBVA, 2001b:127).

⁷⁷ These include Banca Catalana, Banco del Comercio and Banco de Alicante.

BBVA’s distribution of profits shows the importance of the retail and commercial operations of the Group in Spain and Portugal, and the weight of the Group in Latin America (see Table 7.4).

Table 7.4: BBVA’s Profits by Business Division

Region	Profit before tax (percentage)
Retail and Commercial Banking Spain and Portugal	43%
BBVA America	25,1%
Asset Management and Private Banking	16,1%
Global Wholesale Banking	15%

Source: BBVA Group Annual Report, 2001

BBVA Group divides its activities into nine business areas: retail banking in Spain; wholesale banking; investment banking; asset management and private banking; America; Europe; insurance; E-business; and the industrial Group.

Retail banking in Spain includes the retail banking activities of BBVA in Spain under a single BBVA branding policy.

Wholesale banking embraces commercial banking, global corporate banking aimed at large corporations, and institutional banking. Global corporate banking operates both from Madrid and from five international offices in London, Paris, Milan, New York and Hong-Kong. A process of integration of these units was completed in 2000 through the ‘Transform@’ program, including the adaptation of a uniform management model and tools which allow an improved service for international clients. Similar initiatives have also taken place at regional level, for example the launch of ‘Cash Management Ibérico’, aimed at unifying management accounts across Spain and Portugal.

Investment banking incorporates the functions of treasury, capital and stock markets, operating both in Spain and abroad. Integration has also been central to operations in

this area, and a recent merging of activities has taken place in the investment banking arms of BBV and Argentaria, as well as the Group's investment banking activities in Spain and Portugal (BBVA, 2001b:98).

Asset management and private banking activities spread across international markets. Asset management has affiliates in Portugal, Andorra, Luxembourg and various Latin American countries.⁷⁸ Private banking coordinates the activities of BBVA Privanza in Spain, Portugal, Jersey, Switzerland and Gibraltar, as well as the Banco Internacional D'Andorra - Banca Mora. Branches are also located in Miami and Grand Cayman Island. During 2000, private banking completed a process of integration of the different fund and pension management agents in Spain, Switzerland and Miami, along with offices of representation in Latin America (BBVA, 2001b:101). This has meant the integration of HR, management systems, and technological resources, as well as the unification of the products and services offered.

The business area *America* embraces operations in the American continent through a number of financial institutions in 11 different countries (shown in table 7.d of the appendix to this Chapter). These distinct banks and financial institutions are managed in a co-ordinated fashion, according to the business model adopted by the BBVA Group. The 'Cre@ Project', for example, was launched during 2000, and, among other things, involves 40 common working plans (BBVA, 2001b:106).

Europe covers the Group's operations in other European countries, either through its own branch network or through participation in other financial institutions (see Table 7.5). The main objective of this business area is to extend the presence of the group in

⁷⁸ Latin American affiliates include Bancomer Group (Mexico), Provida (Chile), Consolidar (Argentina), AFP (El Salvador) and Copatria (Colombia).

Southern European countries, in particular Portugal, France and Italy (BBVA, 2001:115). Apart from financial participations in the Italian Banco Nazionale del Lavoro (9.93%) and the French bank Credit Lyonnais (3.82%), the Group’s main European activities are subsidiaries in Andorra and particularly in Portugal (BBVA Portugal), where the Group has special weight with around 900 employees and a network of 118 branches. BBVA has also branches in Paris, London, Milan and Lisbon, and offices of representation in Frankfurt, Brussels, Zurich, and Moscow. Although presence in Europe is small compared to that in Latin America, the Group has a vision of expanding European operations, in particular in Southern Europe. At the March 2001 general shareholders meeting, the Group’s vice-president, when referring to the investment plans for the following years, stressed: **“although we will continue with the expansion in Latin America we will work intensively in Europe”** (BBVA, 2001a:21).

Table 7.5: BBVA’s Operations in Europe

Country	Activity	Bank	% Participation
Andorra	Private Banking	Banc Internacional D’Andorra-Banca Mora	100%
Channel Islands	Private Banking	BBVA Privanza Bank (Jersey) Ltd	100%
Gibraltar	Private Banking	BBVA Privanza International (Gibraltar) Ltd	100%
Portugal	Retail, Commercial and Wholesale Banking	BBVA Portugal	100%
Switzerland	Private Banking	BBVA Privanza Suiza	100%

The industrial group controls the financial participation of the Group in industrial firms. At the end of 2000, the Group had partnerships in around 158 societies, with the telecommunications sector representing around half of the Group’s investments, followed by oil and electric companies (BBVA, 2001b:117).

The *insurance* business area emerged in 1999, reflecting the importance that this area is acquiring within the Group. In Spain, the Group operates through the BBVA banking

branch network. In Latin America, the Group has participation in 19 insurance companies although further investments are anticipated, and the Group sees the region as the natural zone for expansion of the insurance business (BBVA, 2001b: 120).

Finally, *E-business* embraces the financial operations carried out through new distribution channels, in particular Internet, both by individual customers and to businesses.⁷⁹

7.3.3 Organisational Structure

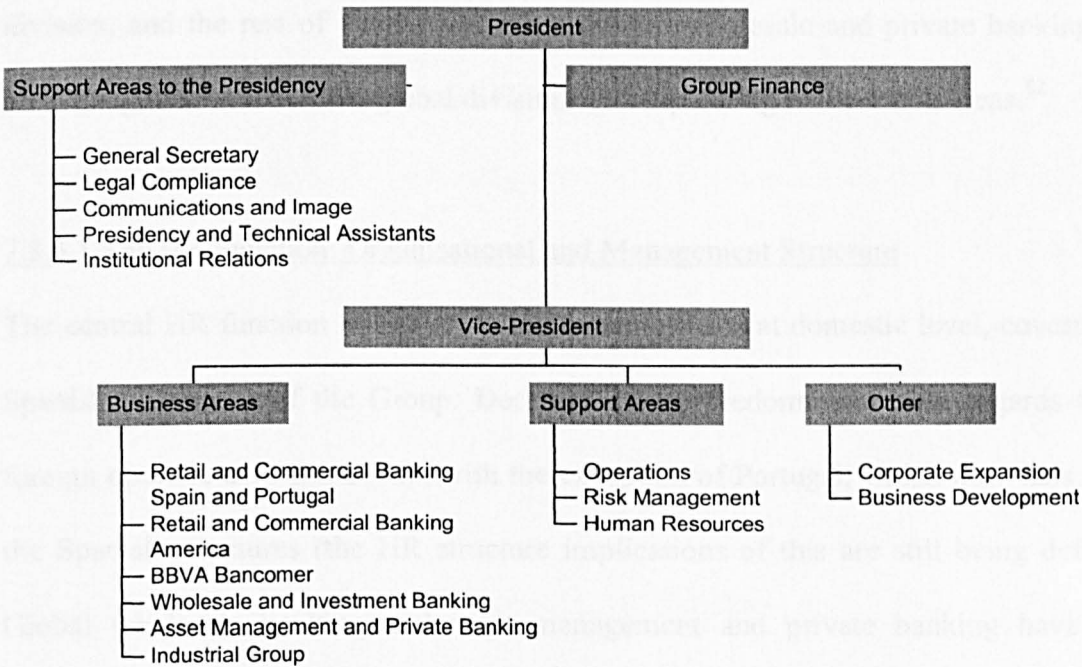
The Group's organisational structure has undertaken a number of changes since the merger. In April 2001, the administration board approved a new organisational structure with three general directors in charge of three global areas. This resulted in a divisional structure organised around three main functional areas: the two main businesses - 'retail' and 'wholesale' banking - and 'resources', with global responsibility for the whole Group. In stating the global nature of BBVA Group, one of its general directors maintains that **"we must behave as such, that is looking at the different businesses from an international perspective"** (BBVA, 2001a: 28).⁸⁰ In 2002 the present structure was adopted, still following a multidivisional form with three main areas: 'support areas' and 'other' with global responsibility for the Group, and 'business areas' embracing a number of divisions for the different business of the Group. Within this, there are two globally organised divisions, namely the wholesale and investment banking division, and the asset management and private banking division. Top management at BBVA argued that the reason for choosing this type of organisation is to take advantage of the synergies in terms of distribution and knowledge between

⁷⁹ Besides the online banking services of BBVA through 'BBVA net', 'Uno-e' is the Internet bank of the Group and operates as an independent firm within the Group. BBVA holds 80% of the capital of Uno-e and the remainder (20%) belongs to the technology firm Terra (BBVA:2000:52).

⁸⁰ Interview published in the internal publication *Crónica*, Banco Bilbao Vizcaya, Madrid, n.5, May 2001.

different parts of the business. According to the General manager of the Group's retail banking operations, synergy occurs, for example, between the area of private banking and the Latin American banks, where relations should be clearer and distribution costs reduced.⁸¹ Of particular interest for this study is the reorganisation of the *retail and commercial divisions*, which although still organised along geographical lines, have changed scope.

Figure 7.3: BBVA Group-Organisational Chart



In the previous structure a retail banking division existed to cover the operations previously undertaken by the BBV and Argentaria retail banking networks following the integration on a common platform of the Group's branch network in Spain. In the 2002 structure, the retail banking division also includes commercial banking, and the geographical scope expands to cover the Portuguese operations of the Group, signalling a move towards international integration. The *retail and commercial banking America* division embraces the retail banking operations of the Group in Latin America through

⁸¹ Interview published in the internal publication *Crónica*, Banco Bilbao Vizcaya, Madrid, n.5, May 2001.

the banks participated in by the Group in this region. Although financial control and budgeting is transferred to the different subsidiaries, the Latin American division at HQ have support teams in the areas of risk analysis, organisation, and management systems, whose job is to collaborate and work closely with the different banks.

Another interesting development has been the removal of the 'Europe' division that previously existed within the wholesale banking area of the previous group structure. The Portuguese operations have been integrated with the retail and commercial Spanish division, and the rest of Europe, which is mainly wholesale and private banking, has been integrated into the two global divisions corresponding to these two areas.⁸²

7.3.3.1 The HR Function: Organisational and Management Structure

The central HR function of BBVA is highly centralised at domestic level, covering all Spanish operations of the Group. Decentralisation predominates with regards to the foreign operations of the Group, with the exception of Portugal, which now falls under the Spanish structures (the HR structure implications of this are still being defined). Global wholesale banking and asset management and private banking have their respective HR units integrated within central HR. Given the importance of the Latin American operations of the Group, an HR unit for Latin America also exists in order to ensure a degree of alignment with HQ and consistency in the area.

HR Function in Spain

The HR function for the Spanish retail and commercial banking activities is divided territorially into 14 units. Although there are signs of increasing decentralisation to each of those units, central HR remains key to decision-making and policy-related issues. In

⁸² Jersey, Switzerland and Gibraltar are integrated within the private banking global division. The London offices fall under the global wholesale banking division, as do the French operations of the Group.

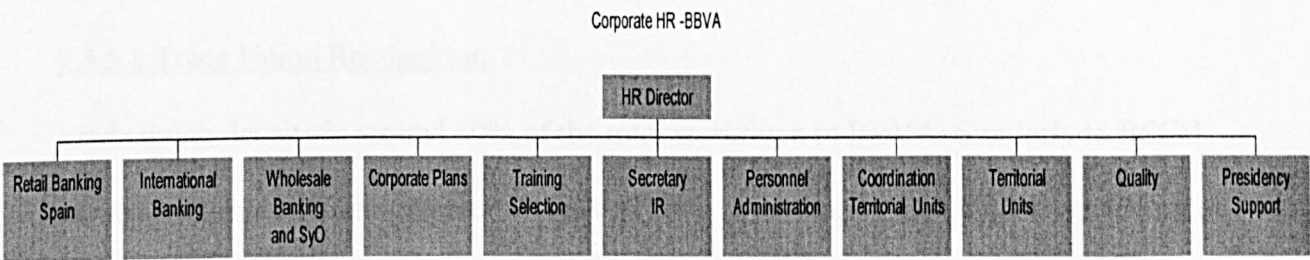
addition, some additional HR units at central level provide services for the whole territory within Spain; for example, training and selection or quality.

The IR function is integrated in the HR department, and is very centralised at domestic level, but with strong decentralisation existing at international level.

International HR Function

The HR department has an international banking unit, with separate sub-divisions for Europe and Latin America (Figure 7.4). In the case of Europe, Portugal (the only country where there are retail banking operations) is in the process of being further integrated with the Spanish retail and commercial operations. The rest of the European countries have wholesale and private banking operations that are managed more globally from the respective global divisions. Local HR managers exist only in UK, France and Portugal, with no full time HR person in the rest of the European countries where the Group has operations.

Figure 7.4: Structure of the BBVA Corporate HR Function



7.3.4 HR Policy and Practice in BBVA

7.3.4.1 Home Country Coordination of HR

BBVA presents a high degree of integration at home country level. BBVA operates through a number of territorial units within Spain, servicing the (retail and commercial)

branch network under a single brand (BBVA). HR policies emanate from the central HR department, including terms and conditions of employment, pay scales, and grades. There is limited local and regional autonomy of the operating units, with most HR decision-making emanating from or being referred to central HR.

7.3.4.2 International Coordination of HR

With the exception of Portugal, most foreign European operations are wholesale banking, asset management and private banking activities, which are organised in two global divisions with a strong degree of HR co-ordination in each division. BBVA international retail and commercial operations are quite decentralised to subsidiary level, although ongoing processes within the organisation appear to emerge as an impelling force for HR convergence. According to management interviewed,⁸³ Group policies emerge from HQ in Spain, and after evaluation they are adapted to the different locations in Latin America through the HR unit for Latin America, with common corporate policies in training, variable remuneration, recruitment and selection, promotion opportunities and equal opportunities, amongst others.

7.3.5 Industrial Relations in BBVA

7.3.5.1 Trade Union Recognition

Trade union density is around 40% of the total workforce in BBVA. Similarly to BSCH, an array of trade unions operate in BBVA both at national and regional level. Trade union elections take place every four years (the last one in December 2002), with only those trade unions achieving more than 10% of nation-wide representation in the Bank having collective bargaining rights. CCOO-Comfia is the most widely represented trade union in BBVA with over 30% of representation, followed by AMI and UGT-Fes with

⁸³ Interview with the IR sub-director - BBVA (July 2001).

24,7% and 20% respectively. See Table 7.e in the Appendix for the results of the trade union elections in BBVA.

Alongside the employee representation system via trade unions, a dual system of representation exists through works councils at regional and divisional/local level, organised in a similar fashion to those in BSCH. Likewise, works councils in BBVA tend to have a nominal rather than active role.

Management-union relations within BBVA

Although to a lesser extent than in the BSCH, inertia from the past can still be sensed in the minds and forms of those conducting negotiations, and this is reflected in confrontational as opposed to more participative IR.

7.3.5.2 Collective Bargaining Structure and Content

In BBVA the Sector agreement applies generally across the Bank's Spanish operations. Issues like working time, non-variable salary or non-performance based bonuses are established at the sector agreement. Alongside this, company collective agreements are agreed on issues such as special banking conditions for bank employees and social benefits.⁸⁴ Agreements take place between unions and management at national company level, with no operative works councils at this level. Although most agreements are national, at divisional/local level some agreements also take place regarding specific issues to do with the nature of the work and specificity of the workplace in question; i.e. working time, flexible hours, or health assistance. Local/divisional agreements generally take place between trade unions at that particular level and management. Only occasionally do local works council engage in collective bargaining or consultation on

workplace related issues such as emergency exits, cleaning provisions, air-conditions or health and safety, although this latter aspect is increasingly being discussed within each trade union separately. Other than these such instances, the interlocutor is at group level (IR central) rather than territorial level. On some occasions there are so-called 'out of table negotiations' that are *ad hoc* and often negotiated with the most representative unions only, given that around 70% of the trade union representation in BBVA is attained by only three unions. However, in addition regional unions, for example, occasionally negotiate an agreement at regional level.

Trade union input is strongly concentrated on long-service employees in retail and commercial banking, with terms and conditions in other segments of the Bank and for new staff increasingly falling outside the direct influence of the sector agreement.

7.3.5.3 Main HR/IR Changes and Implementation of these Changes

This Section explores the main changes affecting BBVA over recent years, and their HR/IR implications. An examination of how these have been dealt with enables a feel for the extent and nature of negotiation and consultation at company and local levels.

1. Bank Restructuring

Over the last two decades employment in the banks forming the current BBVA has decreased by 26% as a result of several merger processes and the introduction of new technologies.⁸⁵ The BBV-Argentaria merger alone accounted for a large proportion of the fall in staff numbers; employment fell from 37,052 in 1999 to 33,733 in 2000 (BBVA, 2001b:127). In parallel, 471 offices were closed during the year 2000, the total number dropping to 3,864 at the end of 2000 compared with 4,336 the previous year

⁸⁴ Examples of recent company agreements include a merger agreement (Nov. 1999), a payroll agreement (March 2000), an agreement on social benefits (Nov. 2000), a working time agreement (Feb. 2001), and an agreement on banking conditions (March 2002).

(BBVA, 2001b:128). Central functions within the Bank were also affected by staff level reductions, and various BBVA central function buildings in Madrid were closed. Job cuts however have been voluntary, mainly through early retirement and voluntary redundancy schemes. This has meant a progressive replacement of older bank employees, often by graduates. The unions have thus focused on improving pre-retirement and voluntary redundancy schemes and the new-entry contracts. The terms and conditions for pre-retirement and voluntary redundancies have been negotiated between management and the most representative unions at national company level, often in the context of merger agreements. Following the creation of BBVA in 1999 a merger agreement was signed covering provisions on employment guarantees, P/T employees, training, working conditions and trade union rights. Compulsory redundancies have therefore been rare in BBVA.

There have also been changes in the nature of activities carried out in the branch network, which as generally across the sector has changed focus to become a sales point. A second implication has been a reduction in administrative (back office) activities resulting from the introduction of new technologies that allow automatic processing. From discussions with union representatives, however, it became clear that back office activities have not been reduced to the extent initially foreseen by Bank management, and most administrative activities (around 95%) are still carried out in the branches.⁸⁶ A result is that, with the launch of the 'Office 2000' designed to have less staff, excessive workload in the bank branches has become a frequent problem.⁸⁷ Despite this, a union representative interviewed did not think that the Bank was

⁸⁵ Information provided by Banking Sector Trade Union Federation – Comfia-CC.OO.

⁸⁶ Interview with trade union representative - CCOO (August 2001).

⁸⁷ Interview with trade union representative - UGT (July 2001).

planning to increase staff levels, as they considered it a temporary problem accentuated by the recent integration of the operating systems of BBV and Argentaria.⁸⁸

2. Outsourcing and Introduction of New Technologies

The first moves towards externalisation were cleaning and security staff, and over the years this has extended to include other areas such as internal post, and, more recently, marketing, payment, and telephone banking activities. Following Spanish labour law, information on the extent of outsourcing and the activities involved must be provided to the trade unions by Bank management. A number of union officials interviewed manifested however that information by the Bank on this issue is often not given or not accurate. They noted, for example, difficulties in estimating the extent of outsourcing in BBVA, as well as the resulting obstacle that this lack of knowledge placed on union recruitment activities: **“BBVA has a centre in Madrid where part of the operations are subcontracted. I have been there and there must be around 1,000 people working in a big room, and you don’t know who is working for the Bank and who isn’t”**.⁸⁹ One characteristic of outsourcing activities in BBVA is that they have not generally involved transfers of BBVA staff, apart from occasional cases. This has often been, according to union sources, the result of punitive measures in cases of staff not willing to accept pre-retirement. Given that non ex-BBVA staff therefore carry out much outsourcing, there has not been negotiation at company level within BBVA on the terms and conditions of employees in the subcontracted activities.

A slight variation on outsourcing is the use of temporary work agencies and temporary employees. Although again there has not been consultation or negotiation at company level in BBVA regarding this, an agreement on temporary workers has been reached at

⁸⁸ Interview with trade union representative - UGT (August 2001).

⁸⁹ Interview with trade union official -CC.OO (July 2001).

national sector level (temporary work agencies sector), by which temporary employees are to receive equal salary to permanent staff doing a similar task (the ETTs agreement). As a result, the economic incentives for companies to use temporary employees has decreased. Trade union officials interviewed indicated, however, that a new type of firm called a 'service firm' is emerging, which does not legally fall under the agreement. Consequently, according to union officials, banks including BBVA are by-passing the law by outsourcing and using 'service firms', which, as previously mentioned, are occasionally financially participated by the BBVA Group.⁹⁰ Employees in 'service firms' are often covered by sector agreements other than the banking sector agreement (e.g. telephone banking), with generally less favourable terms and conditions.

3. Flexibility and Working Time

Spanish labour legislation provides for most fixed-term contracts to be made permanent after three years, and union-employer agreements at confederation level provide for employers to make available information on the types and number of contracts on a regular basis. Although agreements over the percentage of new entrants hired on non-fixed terms and conditions to be transferred to permanent contracts do exist between unions and management at national company level, there is no consultation or negotiation over the terms and conditions of new contracts in BBVA. As a trade union offered maintained: **“the bank now hires graduates and keeps them with temporary contracts for three years before offering them indefinite contracts. As a result these new employees do not enter the bank with negotiated conditions and social benefits as we used to, instead they are offered individual contracts in which many**

⁹⁰ Examples of service companies mentioned in the interviews with trade union officials in BBVA are 'Laborman', 'BEX Directo' and 'Humano'.

benefits are still there but not reflected on paper, so the legal right is not there anymore.”⁹¹

Working time is regulated under the sector agreement, which establishes the official working hours for bank employees. Nevertheless, working time has become a major area of dispute over recent years, following growing evidence of employees working longer hours. Indeed, this has become one of the main issues that unions deal with at regional/local level (via trade union sections at that level, rather than via works councils). In parallel, there is an increasing tendency within BBVA to individual and localised arrangements in which working time is modified to suit the nature of the business. These agreements take place between unions and management either at national level (between trade union sections and company management), or at local/regional/divisional level (between unions and management at that level). A recent agreement on working time, for example, concerns specific arrangements for several workplaces in Madrid, Zaragoza and Cataluña. In addition to negotiation over specific arrangements, there are mounting concerns on the union-side of employees working increasingly long hours often under no agreement or extra remuneration. In BBV (pre-merger with Argentaria), around 35% of employees prolonged their working time on an average of 2 hours daily, a small figure compared with other Spanish banks.

4. Pay and Systems of Variable Remuneration

Bonuses and variable remuneration systems are not regulated by the sector agreement, which only establishes fixed pay levels for the different professional categories. Variable remuneration used to affect high and medium management levels only, but has gained importance over the years and currently affects the entire workforce. Indeed, the Bank has introduced extraordinary remuneration and performance-based systems

⁹¹ Interview with trade union representative - CCOO (August, 2001).

unilaterally, with no negotiation over such issues. Similarly, employee evaluation systems on which performance-based remuneration is based are not negotiated or consulted with unions. A trade union official referred to the salary, and in particular variable remuneration, as a strong mechanism used by Bank management in order to individualised IR in BBVA.⁹² Moreover, when asked about the extent of trade union input in the design and implementation of the new forms of variable remuneration, management interviewed confirmed: **“nothing, they (unions) don’t participate. Variable remuneration is something on which the Bank itself decides so that our employees get involved and therefore ambitious objectives can be achieved. In other words its a decision entirely from the autonomous decision and organisation capacity of the firm”.**⁹³

Although, traditionally, management-union relations in BBVA have been more cooperative than in BSCH, the current IR climate in the Bank can not be characterised of ‘participative’. The Bank’s responses to increased competition deriving from the changes that have taken place within the sector in general have meant that tensions in the management-union relationship have escalated over recent years.

7.3.6 Transnational Employee Information and Consultation

There is not an EWC operating in the BBVA Group. In 1997 BBV had a bank in Belgium with around 180 employees, from which an initiative to request the establishment of an EWC originated, together with the Spanish union Comfia-CCOO. At the time the interviews were conducted, negotiations towards the establishment of an EWC seemed to be at a halt, and neither management nor unions appeared to have a particular interest. The Belgian bank had since been sold, a major factor behind that apparent lack of interest from both management and trade unions, and management

⁹² Interview with trade union officer - CCOO (July 2001).

interviewed emphasised imbalance between workforce presence across the Bank's European operations, with over 30,000 in Spain and around 2,000 in the rest of Europe.⁹⁴ Furthermore, it was argued that the structure of the banking sector, in particular the multi-domestic and multi-workplace nature, with an average of 5-6 employees in each, does not facilitate the functioning of an EWC-type body: **“legislators are still thinking in old terms, they still think of an economy based on heavy industries, where decision-making is not necessarily agile, and things take a long time to start functioning and to disintegrate, and where representation is according to a large mono-centre workplace in which it is very easy to take decisions and rapidly organise meetings with the social partners. We, however, live in a very globalised and intensive knowledge society, and in the service sector in particular that dominates nowadays, there are multiple distribution channels and selling points”**. Representatives from the two main unions did not exhibit a great deal of interest either, mainly because of their greater focus on the potential establishment of an EWC-type arrangement beyond Europe. In fact, in 2002 the “Coordinadora Hispano-Americana de Sindicatos Nacionales del BBVA” was established, although at the time of writing it is still in very early stages and has not achieved management recognition.

7.4 CONCLUSION

This Chapter has introduced the main features of BSCH and BBVA Groups, Spain's two most internationalised banks. In summary, in both cases internationalisation is particularly directed to Latin America, with comparatively little presence in Europe other than their domestic operations. In both BSCH and BBVA retail banking is significant only in Portugal (other than Spain), with operations in the rest of Europe concentrated mainly in wholesale banking (and commercial banking in the case of

⁹³ Interview with IR-Group management - BBVA (July 2001).

⁹⁴ Interview with IR Sub-director - BBVA (July 2001).

BSCH). Moreover, BSCH's commercial banking activities in Europe are managed separately, and often under separate commercial brand names. Whilst no European unit exists in either Group, a Latin American division has been created in both, which through their HR departments allows the spread of relatively uniform corporate policies and principles throughout the different banks and institutions in Latin America. Integration is more pronounced in the case of BBVA, and is also extensive with regards the Portuguese operations, which operate under the same brand and in the same division as the Spanish operations. Spanish trade unionism, based on ideological roots and this perhaps more confrontational, is arguably an explanatory factor regarding management-union relations in the Bank. The input of the unions on decisions regarding issues of work organisation or pay above those strictly established in the collective agreements seems to be limited, with a degree of inertia present in the minds of those in charge of negotiations. The framework in which collective bargaining is conducted, including legal provisions and the organisation and structure of the social partners, makes unions particularly strong at sector level, something seen as crucial for reaching national collective agreements on telephone banking and temporary workers. No EWC exists in either BSCH or BBVA, where efforts are directed towards the establishment of an employee information and consultation body embracing the Group's Iberian and Latin American operations.

Chapter 8

EXPLAINING THE EXISTENCE OF EWCs

8.1 INTRODUCTION

The objective of this Chapter is to identify key factors triggering the existence, or in some cases the non-existence, of EWCs. Whereas both of the UK case firms have an EWC in operation, this is not the case of the two Spanish firms, and nor are there provisions for their establishment at the time of writing. A key question therefore concerns which factors facilitate the existence of an EWC among the two UK banks, and which hinder its existence among the two Spanish banks. The aim of this Chapter is to explore the complex relationships between the establishment of an EWC and the various factors impinging on this process. The analysis follows from the framework developed in Chapter 3 (Fig 3.1), which has served to guide this investigation. However, in the process of the comparative analysis this framework will be refined to reflect the extent to which such a framework reflects the reality of the case study firms investigated.

The analysis focus on the four main company cases, in order to comprehend the dynamics behind the establishment of an EWC in banking firms. To summarise the argument, the nature of group activities and group structure shapes the extent to which there is cross-border coordination of HR policy and practice. These structural and strategy related factors in turn shape both management policy and trade union policy towards the establishment of

EWCs. Management policy reflected both in a corporate culture conducive to cross-border business integration and in participative company IR plays an important role too. Finally, trade union factors related to the business activities and organisational structure of the firms also shape union policy towards the potential establishment of EWCs.

According to the design of this study (Chapters 3 and 4), the firm is our primary unit of analysis, and therefore the analysis will focus on explaining how the firm context influences the existence of an EWC. It is nevertheless acknowledged that firms are embedded in a sector and country context, the features of which are likely to have an effect on the firm's behaviour. It is also acknowledged that such effects are not likely to be homogeneous in nature, with different companies within a given sector and country context internalising their features in different ways.

Section 8.2 focuses on comparing the extent and nature of internationalisation of the case companies. In Section 8.3 the extent to which business structures have in turn been internationalised is examined. Section 8.4 compares the extent of international HR coordination as a result of developments analysed in the previous two Sections, and Section 8.5 draws conclusions around the impact of the factors explored in previous Sections on the role of both management and union officials in facilitating or hindering the existence of EWCs. Section 8.6 examines the role that factors around the legal negotiating framework and employee representation structures, including trade union policy issues play on the establishment of EWCs. Section 8.7 draws conclusions from the Chapter.

8.2 THE EXTENT OF INTERNATIONALISATION OF GROUP ACTIVITIES

As seen in previous Chapters, spatial diversification and the expansion of activities overseas has been a major development in banking over the last decade, following deregulation and the internationalisation of financial markets. Given the transnational nature of EWCs, the degree and nature of spatial diversification becomes crucial for this analysis. I shall explore the implications of spatial diversification for the existence of EWCs in Section 8.2.1. Section 8.2.2 focuses on the extent to which the firms have engaged in horizontal diversification within their spatially diversified businesses (in particular with regards to their international operations), and how this has had an influence on the existence/non-existence of EWCs.

8.2.1 Geographical Diversification and Extent of European Operations

Where MNCs are spatially diversified, offering the same or similar products in different locations, economies may be provided to management in establishing a common approach to IR (Marginson, 1992). This will clearly favour the establishment of an EWC-type arrangement. Many companies now have operations in several countries, and rather than opting for a globalised approach to IR they may be more likely to adopt common approaches according to specific world regions with common cultural features. According to this, whether management decides to adopt a common approach to IR at European level will be contingent on the degree of presence of company operations within the European Economic Area (EEA).

As seen in the previous two Chapters, the geographical diversification of the four banks varies substantially. This is true both in terms of assets and employment.⁹⁵ According to *The Banker* (2001), HSBC, BSCH and BBVA are among the 30 most global banks in the world. Among them, HSBC appears the most internationalised, both in terms of overseas assets (62.2%) and employment (66% of staff located overseas in 2001). BSCH and BBVA had respectively 52.7% and 44.3% of their assets, and 63.3% and 68.7% of their employees overseas in 2001 (*Ibid*). According to these figures, therefore, these three banks present a very internationalised profile. The picture is different, however, with regard to the geographical areas in which they have focused their internationalisation. HSBC is more equally spread across the world than both BBVA and BSCH, which tend to have their international assets and employment heavily concentrated in Latin America. HSBC's presence in Europe was relatively small until the acquisitions of Midland Bank and, more recently CCF, and while BSCH's and BBVA's European operations have been increasingly expanding over time, their main business apart from domestic operations has been in Latin America for several years now. As for LTSB, its international operations are much more modest compared to the other three banks, with only 13.9% of assets held abroad, a figure that includes both Latin American and European operations, and 15% overseas employment. Table 8.1 details the geographical distribution of employment for each bank, while Figure 8.1 illustrates the geographical distribution of assets.

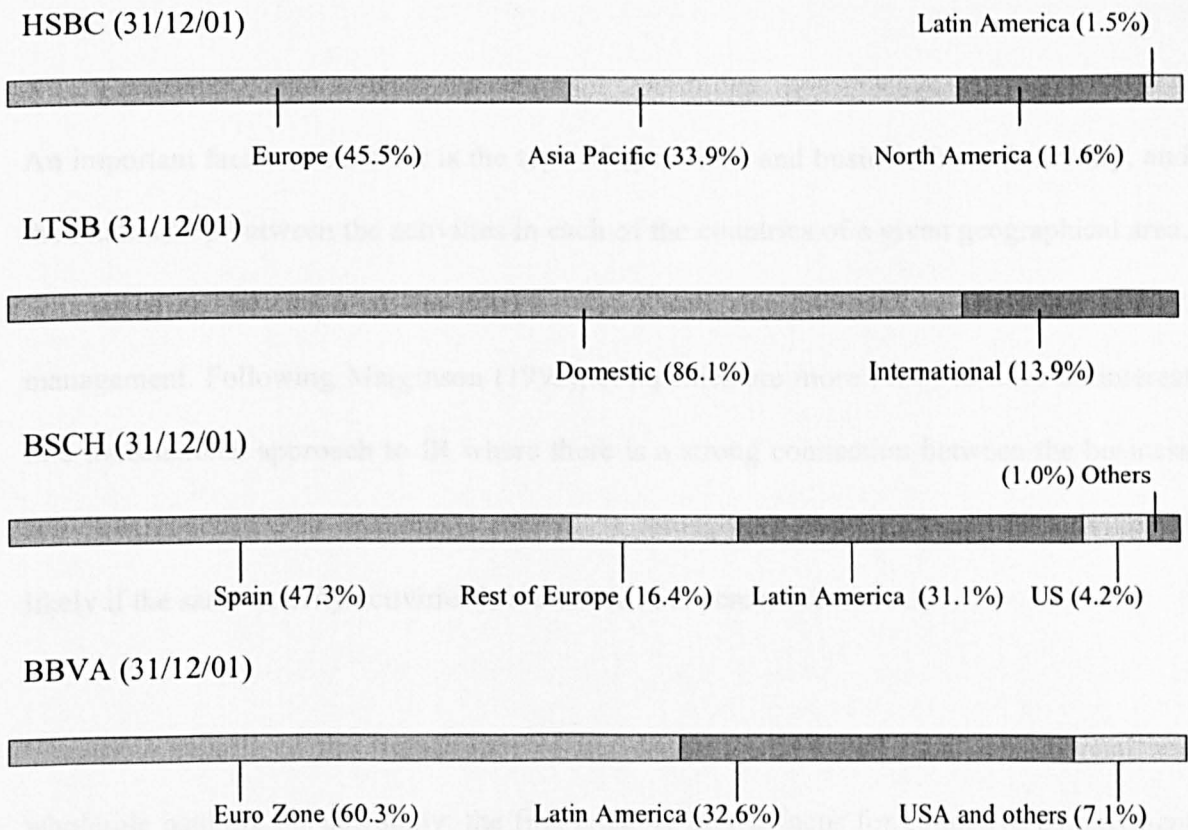
⁹⁵ The geographical distribution of assets indicates the proportion of the total assets of the Group distributed in the different regions of the world.

Table 8.1: Employment Profile and Geographical Distribution of Employment of the Main Case Studies

Bank	Offices/ Countries	Total employment	Home country employment	Rest of Europe employment	Total European employment	Non- European employment	Total Foreign employment
HSBC	6,500 offices 78 countries	164,925	56,000 (32.7%)	15,405 (9.3%)	71,405 (43.2%)	93,520 (56.7%)	108,925 (66%)
LTSB	*3,000 offices 22 countries	81,400	69,140 (84.9%)	*1,000 (1.2%)	70,140 (86.1%)	11,260 (13.8%)	12,260 (15%)
BSCH	10,393offices 42 countries	114,927	42,165 (36.5%)	*2,700 (23.4%)	*44,925 (39%)	*70,062 (60.9%)	72,762 (63.3%)
BBVA	9,000 offices 37 countries	108,082	33,733 (31.2%)	*2000 (1.8%)	35,733 (33%)	*72,349 (66.9%)	74,349 (68.7%)

* Approximate figures
Source: HSBC data obtained from interim report HSBC Holdings (2001). LTSB data obtained from annual report (2001). BSCH data obtained from BSCH web-page (www.gruposantander.com/es), with date 31/12/01. BBVA data obtained from BBVA web page (www.bbva.es) and annual report (2001).

Figure 8.1: Geographical Distribution of Assets of the Main Case Studies



Source: Annual Reports

The available data on employment and its distribution reflects to a large extent the internationalisation positions of the four banks in terms of the geographical distribution of assets, and for HSBC, BBVA and BSCH it is clear that overseas employment presents a very important part of total employment. A further figure of relevance for the purposes of this study, however, is the 'rest of Europe' employment, since it represents the workforce's size in Europe, other than in the home country operations. 'Rest of Europe' employment represents 21.5% of total European employment in HSBC, a figure that is high when compared with the other banks (1.5% in LTSB, 6% in BSCH and 5.5% in BBVA). Both BBVA and BSCH have the majority of their foreign employees concentrated in Latin America, whereas LTSB's workforce in Europe is mainly domestic with a relatively small proportion of foreign employment that is strongly concentrated outside Europe.

8.2.2 Business Portfolio of the International Operations

An important factor to consider is the type of operations and business in each country, and the relationship between the activities in each of the countries of a given geographical area. This gives an indication of the potential for a common approach to employee and IR management. Following Marginson (1992), companies are more likely to have an interest in a transnational approach to IR where there is a strong connection between the business activities conducted in different countries. A strong link between business activities is likely if the same activity/activities is/are carried out across locations.

Chapter 2 underlined the significance of the distinction between retail, commercial and wholesale banking for this study; the first tends to be the focus for collective employment relations (including indirect forms of employee involvement) and trade union activity. For the purpose of this discussion, I shall refer to wholesale banking to mean traditional

banking activities other than retail and commercial banking, including corporate and institutional banking, investment banking, and wealth management and private banking.

The four banks are diversified in nature with a mixture of retail, commercial and wholesale banking operations. There are, however, substantial differences among the four banking groups in terms of the allocation of their activities across Europe. Whereas HSBC has significant retail banking activities in various other countries other than the UK, BBVA's and BSCH's retail banking in Europe remains mainly in Spain and more recently Portugal, and LTSB's non-UK European operations are primarily commercial and wholesale. Traditionally, due to, among other things, the nature of the industry and the higher internationalisation of customers, commercial and wholesale tend to be more internationally integrated than retail banking, which remains an example of a multidomestic type of industry (Porter, 1986).

Further differences between the banks are also found in the level of international integration, depending on, for example, the type of ownership of foreign businesses. For instance, BSCH's private banking activities present a higher integration than consumer financing; BSCH private banking is BSCH branded, while consumer finance is an acquired business which has kept its original branding in the different countries of operation. Indeed, more generally, the emphasis of BSCH's strategy in Europe has been strategic and financial alliances with important banks in the UK, Italy, Germany and France, and the presence of the Group's own-branded network is limited to offices of representation in various European cities. It is only in recent years that BSCH has strengthened its position in

Portugal through the acquisition of two local banks,⁹⁶ which, like their Spanish operations, provide a range of retail, commercial and wholesale activities. Commonalties between the Spanish and Portuguese markets, combined with parallels in the activities conducted, makes these two countries the only real platform for business integration in Europe.

The business of BBVA in Europe (other than Spain) is fairly limited; there are two strategic financial alliances with French and Italian banks, and a network of branches and offices of representation in various European cities. Private banking is offered through a reduced number of branches (Portugal, Jersey, Switzerland, Gibraltar and Andorra) and in a very coordinated way from BBVA HQs. In this respect BBVA appears to be more highly integrated across Europe than BSCH, partly because of the smaller size of their European business and more extensive own-branding. Like BSCH, Portugal has a special weight within the Group, with the establishment of a BBVA branded subsidiary including a network of 118 offices. The integration between the Spanish and Portuguese operations is a major current development within the Group, reflected in recent changes in organisational structure, whereby a new common division has been created for the management of both BBVA Spanish and Portuguese retail banking operations.

From this analysis it is clear that the retail banking operations of the two Spanish Groups in Europe remain mainly in Spain, with the exception of the recent but significant emergence of Portugal as a new attractive market. In both cases, although at a more advanced stage in BBVA, the cultural and geographical proximity appear to be driving increasing integration of their businesses in the Iberian Peninsula. It can also be observed that in both banks

⁹⁶ The acquisitions of Bank Totta & Açores and Crédito Predial Português have increased the market share of BSCH in the Portuguese market from 2% to 10%, and has meant the re-organisation of the BSCH structure in that country.

wholesale banking activities (especially private banking and asset management) present a high degree of European integration, although the level of employment and size of those activities implies limited impact on the potential establishment of an EWC.

The case of the HSBC Group is somewhat different with regards its retail banking business in Europe. The Group provides significant retail services, with an extensive branch network in a number of countries, such as Cyprus, Greece and, more significantly, France. In all three of these cases, the banks have so far kept their original names, although the HSBC logo has also been incorporated into the local commercial name. More importantly, the Group's structure in Europe is divided into two main legal entities: HSBC UK (which embraces most Eastern European operations, Greece, Malta, Turkey and Sweden), and CCF (which embraces the Group's activities in various countries of the Eurozone). Moreover, there is limited integration in terms of Group structure between the two sides to date. The acquisition of the French CCF in 2000 has meant a major change in the retail banking operations of the Group in Europe, with CCF taking a leading role in the organisation of the HSBC businesses in the Eurozone. Although a closer coordination of the retail banking activities of the Group across Europe is envisaged, Group management has decided to maintain the CCF brand for now given its established reputation in France. With regards commercial and wholesale activities, as in retail, territorial rather than business line/product criteria dominates the organisation of the activities in Europe, something that has occurred, as management explained, **“more as an accident of history rather than design itself”**.⁹⁷

In the case of the other UK-based bank, LTSB, its European market other than the UK is primarily concentrated in wholesale banking activities, mainly investment and corporate

⁹⁷ Interview with HR manager, HSBC Bank plc. (November, 2002).

banking, with businesses structured on a geographical rather than business basis, and with little integration among them.

In conclusion, three main elements related to the strategic choices made by Group management have been identified as potential factors that might shape management decisions around the establishment of a common approach to IR across Europe. These are the extent of internationalisation, the geographical orientation of their internationalised operations and spread of the workforce, and the degree of diversification of the business portfolio across countries. With regards to the first element, all of the Groups with the exception of LTSB are highly internationalised, with around half of their assets and workforce outside their home country. A key factor, however, in distinguishing the nature of internationalisation is the geographical orientation of the non-home market operations. In this respect the two Spanish Groups present clear differences from HSBC. Both BBVA's and BSCH's overseas orientation strongly points at their Latin American markets, which suggests clear limitations to a common approach to IR in Europe, due to the comparatively small importance of their operations in that region. In addition, the nature of presence of the two Groups in Europe, predominantly through their wholesale businesses, diminishes the importance of a common approach to employment relations in Europe. This is because the largest workforce and traditional domain for collective employment relations and trade union activity remains in retail banking. A similar picture can be presented for LTSB. Despite its European presence being greater relative to the total weight of its overseas operations, retail banking activities are scarce in Europe. Out of the four case study companies, HSBC presents the most propitious conditions for a common IR approach within Europe according to the three elements identified above. It is highly internationalised, with a significant presence on the European continent, both within EU

and non-EU countries. Moreover, HSBC's wholesale banking activities in non-UK European countries is complemented by a significant presence in retail banking; the importance in terms of assets and workforce numbers is not overshadowed by the Group's retail banking operations in the UK. This is particularly true in the case of CCF, but also in the cases of the Group's Greek, Cypriot and Maltese operations.

8.3 THE EXTENT OF INTERNATIONALISATION OF BUSINESS STRUCTURES

A second important factor relates to the companies' business and management structures, and the extent to which organisational structures 'follow' the business internationalisation strategies and become integrated across-borders. Management interest in establishing a common approach to IR across borders within the European context, and in turn in establishing an EWC, will depend mainly on two main factors. Firstly, and related to the previous Section, it will depend on the companies' prospects of satisfactory scope for product markets with the ongoing economic and monetary integration of markets. Secondly, it will depend on the provisions made around the company's own organisational and management structure to operate within that context. As explored in Chapter 2, different organisational and management structures are associated with different levels at which HRM implementation and decision-making takes place.

8.3.1 Group Structure

Following Porter's (1986) typology of MNCs introduced in Chapter 2, most firms within the banking sector would fall under a combination of the multidomestic and global categories, depending on the part of the business examined. On the one hand retail appears as a largely multidomestic industry, where there remains an important degree of competition within national markets. On the other, commercial and wholesale banking

activities, and in particular investment and private banking, can normally be identified as global industries, and thus the organisation of the business will draw more on a global as opposed nationally segmented approach. Commercial banking often lies somewhere in between, sometimes organised alongside retail banking on a multidomestic basis and sometimes organised on a more global basis.⁹⁸

Generally, the case companies of this study show differences between the organisational structures of their retail and commercial operations on the one hand, and those of wholesale banking on the other. BSCH, for example, presents a mixed product-geographical multidivisional structure. Retail and commercial operations are organised on a geographical basis, with two different divisions within Spain (BSCH branded operations and Banesto), and a separate division called 'Latin America' with responsibility for the different subsidiaries in Latin America. A 'Europe' division then has responsibilities over the retail and commercial banking subsidiaries, and more crucially the alliances and financial participations, of the Group in European countries other than Spain. In reference to Porter's (1986) categories, this could be labelled a 'multiregional' structure, lying somewhere between 'multidomestic' and 'global'.⁹⁹ Other areas of the Group such as asset management and private banking (AM and PB) or global wholesale banking (GWB) are organised on a more global business stream basis.

BBVA has also a mixed product-geographical multidivisional structure. Retail and commercial banking are organised geographically (in two divisions; one for Spain and Portugal, and one for Latin America), while wholesale banking, and asset management and

⁹⁸ This often depends on the extent of the foreign operations, or whether they are brownfield or greenfield.

⁹⁹ Marginson (2000), for example, implicitly proposes such a distinction.

private banking, are organised as global divisions. However, the existence of a single retail banking division for Spain and Portugal shows a higher integration of retail activities in the Iberian Peninsula when compared to BSCH. As in BSCH, wholesale banking is structured on a global business stream basis, and the Group's commercial activities outside Spain are structured on a 'multiregional' basis with some kind of coordination from HQ.

Both BSCH and BBVA structures suggest a marked difference between the organisation and operating principles of their retail and wholesale banking operations. The organisational structure of both firms reveals that retail banking operations are under separate differentiated management structures in different countries, with the exception of BBVA's operations in the Iberian Peninsula. On the other hand, wholesale banking operations are under a more global single management structure. This is particularly the case with regards to Europe, given that wholesale operations in Latin America, although globally coordinated (with certain guidelines from the 'global wholesale banking' division), are often part of the different national subsidiaries (to a larger extent in BSCH, where guidelines are also followed from the 'Latin America' division). As for commercial banking, in both BSCH and BBVA, this is structured on a country basis under the different subsidiaries (and under the umbrella 'Latin America' division). There are indications of steps towards further cross-national integration on a 'multiregional' basis in both banks, and to a greater extent in BBVA, where the 'multiregional' strategy is aimed more explicitly at the implementation of the Group's management model strategy.

In HSBC, all European operations are under the UK-based subsidiary HSBC Bank Plc., which embraces retail, commercial and wholesale banking. There is not, however, a single management structure across Europe in the retail, commercial or wholesale businesses, and

as noted above European operations are divided into two legal entities: the UK (which also covers some countries in mainland Europe-including some within the Eurozone such as Greece) and HSBC Europe (headed by CCF). The acquisition of the French Group CCF in 2000 has meant a significant reorganisation of the Group in the ‘Euro’ region. As an IR manager of HSBC in the UK noted: **“within the EU there is some grouping of the subsidiaries, although even in those countries they often run different structures and report to different parts of the Bank”**.¹⁰⁰ Nevertheless, recent changes in the Group structure and management structure indicate an increasing alignment of businesses; integration is currently in process in particular with regards commercial and wholesale operations. As table 8.2 shows, the integration of operations within Europe and the reorganisation of HSBC Bank Plc. and CCF operations is appreciable in a number of business areas.

Table 8.2: Integration Process of HSBC in Europe

HSBC Private Banking	Integration of HSBC Republic (the Group’s principal international Private Banking Business) and CCF private banking business during 2001, with posterior alignment with HSBC Private Banking entities including the merger of entities with offshore clients (e.g. Suisse, Monaco and Luxembourg), creating a Swiss Holding company (HSBC Private Banking Holdings (Suisse) SA).
HSBC Treasury and Capital Markets (TCM)	Creation of a Pan-European platform and management structure between HSBC and CCF since April 2001. The service operates between London, Paris and Dusseldorf with CCF senior management holding key position.
HSBC Asset Management	Truly international business with 10 offices around the world and 1293 staff (April 2001). Creation in 2001 of HSBC Asset Management Europe (SA), formerly CCF which specialises on the ‘Eurozone’ in charge of the development in Continental Europe, through the establishment in Continental Europe (Italy and Belgium to begin with).
HSBC Corporate, Investment Banking and Markets	Integration of European business through the combination of CCF, HSBC Trinkaus&Burkhardt KgaA in Germany and the UK and continental European branches of HSBC Bank plc.
HSBC Commercial Banking	Creation of a central Payments and Cash Management (PCM) unit in CCF for the provision of full banking services in France, Germany, UK and a wide range of PCM services in a further 6 countries

Source: HSBC Holdings Annual Report 2001 and HSBC website (www.hsbc.co.uk)

In terms of the organisational implications of these changes, a single unified management structure is starting to emerge in some of the wholesale and commercial businesses, with

¹⁰⁰ Interview with IR manager-Group HR, HSBC (June 2001).

retail still being conducted separately in each country on the whole. However, the increasing importance of CCF as a subsidiary within the 'Eurozone' suggests that further competencies and management responsibilities might be transferred to CCF from other European countries likely to enter the 'Eurozone' in coming years. Indeed, the acquisition of CCF appears as the main instigator of change in terms of the Group's structure across Europe, and, as managers who were interviewed confirmed, new management structures and decision-making and reporting lines have not yet been completely defined. The separation of HSBC's activities in Europe into two legal entities stems from primarily legal and historical reasons, and although still relevant, in particular for consolidation of balance purposes, management lines and responsibilities cutting across the legal entities are emerging.¹⁰¹ Although this is a process still in its infancy, it suggests crucial implications for the existence and functioning of the Group's EWC, as is demonstrated in Chapter 9.

LTSB Group's organisational structure follows a multidivisional form, with a mixture of product and geographical based divisions. 'Retail banking in the UK' is a geographical division covering all retail banking in the UK as well as 'European Internet banking'. Retail operations outside the UK are included within the 'Wholesale and International' division according to territorial criteria. International banking offers a wide range of banking services including retail, commercial, corporate and investment banking, and operates in 22 countries both in Europe (including nine non-EU countries) and outside. There is not a European unit within the Group, however, and international operations are organised primarily on a geographical basis with differentiated management structures in each overseas location. In addition to LTSB owned activities, the Group conducts business

¹⁰¹ For example, HSBC UK owns some activities of the Group in Spain. While these assets appear in the balance sheet of HSBC UK, for management purposes reporting is directed to CCF.

through a number of correspondent banking arrangements, for example in some of the non-EU European countries, and does so also under separate structures.

Table 8.3: Business Structure of the Main Case Study Firms

Bank	Business line	Organisation of Business Division	European Business division	International Business division
HSBC Bank plc	RB	Multiregional (two divisions)	Yes (HSBC Eurozone)	Yes (HSBC UK –International)
	CB	Multiregional		
	WB	Multiregional		
LTSB	RB	Multidomestic	No	Yes (International)
	CB	Multidomestic	No	
	WB	Multidomestic	No	
BSCH	RB	Multidomestic Multiregional (LT)	No	Yes (Latin America)
	CB	Multiregional	Yes	
	WB	Global	No	
BBVA	RB	Multiregional (Spain and Portugal) Multiregional (LT)	Not European (Spain and Portugal only)	Yes (RB and CB Latin America)
	CB	Multiregional		
	WB	Global	No	No

*RB - Retail Banking; CB - Commercial Banking; WB - Wholesale Banking; LT - Latin America

Source: Own

In sum, all of the banks have multidivisional structures that present a mixture of product and geographically based divisions. A clearly identifiable pattern in all except LTSB is the existence of differentiated arrangements for retail banking on one hand, and for commercial and wholesale on the other, with the latter often being organised on a more global business stream basis. Table 8.3 shows the features of the business structures of the four case studies. In most areas of wholesale banking HSBC, BBVA and BSCH have more integrated European structures. In the case of LTSB, although there is a wholesale banking division, this division includes a subdivision in charge of international operations, organised on a country by country basis. As for retail banking, all the banks but BBVA present a country by country organisation and a nationally fragmented structure. BBVA has recently created a division for the management of both its Spanish and Portuguese operations. Although a separate European division exists in BSCH, cutting across business lines and in charge of

the different subsidiaries and alliances, the management of its operations in Europe is highly decentralised given the key role of the division as a financial monitoring centre for the subsidiaries. In HSBC, the two-tier legally divided organisation structure in Europe is countered by rapid developments towards further integration in its management structures, in particular with regards the commercial and wholesale operations of the Group. Given the size of its retail banking operations, likely similar integration here, in the Eurozone in particular, is central to developments around HR/IR at supra-national level. In the Spanish banks, the underdeveloped size of their retail activities in Europe (the base for the highest proportion of employees and for traditional IR), and the fragmented or non-existent management structures at that level, partly explain the non-existence of EWCs.

8.3.2 Structure of HR and IR Functions

The way in which the HR function is organised across the firm, and the extent to which it mirrors the organisational structure, is an important determinant in terms of HR policy and decision-making. Higher levels of integration in the HR function at national and international level suggest an effective platform and greater potential for a common approach to HR policy and practice across the organisation. In turn, this has potential implications for the existence of an EWC.

BSCH presents an integrated HR function for its main Spanish operations, although the Banesto subsidiary is managed separately through its own HR department, policies and practices. The HR function for the main Spanish operations is structured into units organised with respect to functions and geographical areas, with eleven HR geographical units. The HR function in BBVA presents a similar structure in that it is divided territorially into 14 units across the Spanish territory. However, BBVA launched a unified

brand following the merger between BBV and Argentaria, and, alongside this, a unified HR function with territorial units functioning according to the achievement of objectives set up at central level.

Both of the UK banks' HR functions follow an 'HR business partner' model, which allows a close relationship between the HR function and the different divisions. In the case of LTSB some of the recently acquired businesses are still in the process of being integrated into this new model and structure, but otherwise it is a fairly centralised HR function. According to this model, strategic issues are dealt with through the HR business partner assigned to each division, while day-to-day HR issues are centralised in a call centre. Whilst LTSB's international operations are not yet using the call centre, in HSBC the call centre deals with enquiries of both UK and non-UK European businesses. In parallel, CCF has now appointed an HR team in charge of most of HSBC's offices in the Eurozone, to which those offices are directly accountable.

All four banks have an international HR unit. HSBC's HR structure follows the structure of the bank in that it is divided into two main businesses: HSBC UK International, in charge of some of the Group's European business, and CCF, as a focal point in the Eurozone. As already mentioned, a call centre has replaced some of the functions of the previous international HR unit within HSBC UK International, and CCF is taking a key role in HR within most of Europe. Indeed, CCF can be seen as the focal point of a European unit for HR, and is becoming central to the activities of the Group's EWC. In BSCH, the International HR unit is exclusively for Latin America, the major focus of its international operations. With regards Europe, only in Portugal does the Group have significant overseas retail banking operations. Although a further coming together of the two countries is

anticipated, as reflected by the recent appointment of a Portuguese general director to the executive committee of the Group, the implications for the Group's general and HR structure are not yet clear. In contrast, BBVA does have a European HR unit, although this might be in the process of changing given that Portugal (their main European retail banking operations outside Spain) is in the process of being integrated with the Spanish operations. Indeed, the degree of integration to be achieved between the Portuguese and the Spanish arms of BBVA Group has the potential to have important implications for the establishment of an EWC, given that common commercial and HR related policies are likely to be implemented across the two countries.

In all four banks the IR function is integrated within HR, being part of the same department. A very clear feature in all four cases is that the IR function is highly decentralised with regards overseas operations, something not unusual among large firms (Hill and Pickering, 1996:38). Whilst some areas of overlap can often be observed with regards HR, this is not the case with the IR function in overseas businesses. Indeed, overseas businesses tend to have their own IR function and policies. This policy of international IR segregation does not facilitate the establishment of transnational management-union relations, and it can be argued that the IR functions of the banks of this study are not organised in a way that facilitates international coordination.

8.4 INTERNATIONAL COORDINATION OF HR POLICY AND PRACTICE

In previous Sections the internationalisation strategies and business structures adopted in the case study companies have been presented. Management choices over business strategies and structures have implications for the management of HR within those companies. The particular orientation of a parent firm places differing levels of pressure on

the HR function to maintain policies that are consistent with the general strategy of the group and its operational structure. It is important to see, for example, whether the existence of cross-national European structures or a commercially separate European unit are accompanied by European-scale HR activity. The greater the coordination and standardisation of practices across the different countries in which the company operates, the greater the scope for common issues to arise around those practices. On the contrary, in those firms whose subsidiaries' HR policies and practices closely follow respective local practices, it can be argued that management interest for consistency across countries is lower, and therefore a common forum for employee information and consultation across countries is less likely to be established. It is important to note, however, that differences are likely to be found between retail, commercial and wholesale operations, with those divisions organised on a global basis having higher degrees of coordination than those organised on a multidomestic or even multiregional basis.

8.4.1 Degree of Coordination of HR Home Country Policies

In considering the extent of international HR coordination, a preliminary step is to examine the degree of coordination at home country level. The argument is that if there is not coordination of HR practices and policy at national level within individual businesses, then the chances that cross-border coordination exists are expected to be low. Since this has already been considered in Chapters 6 and 7, the main salient features relevant to this analysis are reviewed briefly.

Although at varying stages of development, there is a general trend towards the integration of home country HR operations in the four banks. Nevertheless, there are parallel moves towards models of strong central management lines, and higher degrees of autonomy at

business level in applying central guidelines whilst adapting to local market conditions. Differences appear in the extent to which this mixture of integration and decentralisation is achieved. HSBC and BBVA appear as the most standardised banks within national borders, whereas BSCH and LTSB present a lower degree of harmonisation of HR practice. Whereas LTSB is currently involved in a process of integration of its diversified UK businesses, BSCH is in the process of homogenisation of HR across the two pre-existing commercial brands (BS and BCH) with their separate policies and corporate cultures.

8.4.2 Degree of HR International Coordination: Formalised Procedures and Management Policy

In order to analyse the relationship between the degree of international coordination of HR policies and the potential implications for the existence of EWCs, two aspects are explored. Firstly the formal division of responsibilities between the international business division and national operations, and secondly the extent of cross-border coordination of HR policy and practice.

8.4.2.1 Division of Responsibilities Between International Business Divisions and National Operations

Obvious implications for decision-making and coordination derive from whether responsibility for decisions on operational issues, in particular IR, HR and management development, lies with divisional HQ or subsidiaries. Devolved responsibility to subsidiary level suggests less integration amongst subsidiaries than when decisions are taken at divisional HQ, and implies that cross-border coordination of HR/IR issues are likely to be less developed. In consequence, the lower the degree of coordination, the less likely are

management (and possibly trade unions) to be interested in engaging in transnational mechanisms for employee information and consultation.

Table 8.4 shows the levels at which responsibility for HR and IR issues lie in the four case companies. There are two overriding observations. Firstly, all banks present strong decentralisation of decision-making with regards IR at international level, something that reflects heterogeneity across countries given different IR legal contexts. Secondly, with regards to HR decision-making at international level, a more diverse picture emerges. Among the Spanish banks, closer integration both in Europe and Latin America is observed in BBVA. In both geographical areas, responsibility over HR is shared between the subsidiaries and the central division, suggesting more homogeneity of policies and practices.¹⁰² In Europe, the recent integration of Portugal and Spain into a single division points to stronger cohesion of policies between the two countries. This is not the case in BSCH, where despite suggestions being made at interviews of further integration between Spain and Portugal, subsidiaries in Europe (including the Portuguese) are often under separate commercial brands and have devolved responsibility for HR issues. This is not so much the case for their Latin America operations, where the ‘multiregional’ management of the ‘Latin America’ division from central HQ shares responsibility for HR with the subsidiaries. With regards the UK banks, HSBC has greater HR centralisation than LTSB (in particular with regards to commercial and wholesale), despite its structural division into two legal entities within Europe. Although responsibility for commercial and wholesale lies primarily within the subsidiaries, a more global management approach to these businesses operates increasingly across borders. In retail banking, responsibility for HR in HSBC rests

¹⁰² The Latin America division has indeed supported teams, in the areas of risk analysis, organisation and management methods, that co-ordinate policy and collaborate closely with the different subsidiaries.

primarily on the subsidiaries but increasing European-level management activity is also emerging. LTSB has a largely decentralised HR function, with HR responsibility for most wholesale, commercial and retail banking activities resting at subsidiary level.

Table 8.4: Levels of IR and HR responsibility in the Main Case Study Firms

Bank	Business line	Organisation of Business Division	Responsibility IR	Responsibility HR
HSBC Bank Plc.	RB	Multiregional (two divisions)	Subsidiaries	Subsidiaries/Division *
	CB	Multiregional	Subsidiaries	Division/Subsidiaries **
	WB	Multiregional	Subsidiaries	Division/Subsidiaries **
LTSB	RB	Multidomestic	Subsidiaries	Subsidiaries
	CB	Multidomestic	Subsidiaries	Subsidiaries/Division *
	WB	Multidomestic	Subsidiaries	Subsidiaries/Division *
BSCH	RB	Multidomestic Multiregional (LT)	Subsidiaries	Subsidiaries (Europe) Subsidiaries/Division (LT) *
	CB	Multiregional	Subsidiaries	Subsidiaries/Division *
	WB	Global	Subsidiaries	Division/Subsidiaries **
BBVA	RB	Multiregional (Spain&Portugal) Multiregional (LT)	Subsidiaries	Division/Subsidiaries(Europe) ** Subsidiaries/Division (LT) *
	CB	Multiregional	Subsidiaries	Subsidiaries/Division *
	WB	Global	Subsidiaries	Division/Subsidiaries **

* Subsidiaries/Division: Direct line of responsibility to subsidiaries and indirect (functional) line of responsibility with division.

** Division/Subsidiaries: Direct line of responsibility to 'global' or 'multiregional' division but some dependency from subsidiaries also.

(LT - Latin America)

8.4.2.2 Cross-border Coordination of HR Policy and Practice

The Use of Formalised Policies and Practices

Following patterns observed in the firm's management structures, striking differences appear between retail, commercial and wholesale activities. The degree HR international coordination in wholesale banking is generally much greater than that across commercial and, in particular, retail banking. This reflects Enderwick and Barber's (1992) findings that within the same organisation different business strategies often operate with different HR strategies.

With regards retail banking, among the UK Banks only HSBC has operations in Europe. Although the management of HR in these subsidiaries is to this date largely autonomous,

with separate HR policies from country to country, there are signs of increasing cross-border coordination. This is particularly the case with regards the European operations part of HSBC UK International, which has a relatively long history within the Group. CCF on the other hand is a fairly new acquisition and coordination there is at a less developed stage, both in CCF and in HSBC's operations under the CCF structure. However, following the acquisition of CCF, the existence of major retail banking operations in Europe other than the UK has brought significant changes to the way in which HR is managed within the Group, with an increasing shift from London to CCF as the management centre for the Eurozone. A number of European businesses that previously reported to London now report to Paris, which ultimately reports back to London. It is not clear at the moment what further changes might occur following CCF's acquisition, but it was perceived from the interviews that closer integration is definitely an issue under discussion within the Group. When asked about the potential for harmonised employment terms and conditions across the Group, an IR manager replied: **"as a general principle we would like to have a common core of standards, but the application then would vary from country to country. ... We can set some common standards, and how far that goes is a current debate"**.¹⁰³

LTSB has no retail banking in its European operations. Outside Europe, the Group has a significant presence in Latin America, where retail banking is also limited. The management of the Latin American businesses is based on the same principles as those in Europe. Besides some businesses embraced by the global wholesale banking division, there is a high degree of autonomy at subsidiary level with regards HR. As a Group manager commented: **"HR at international level is quite decentralised and runs contrary to the model that we use in the UK where all support services are centralised and shared."**

¹⁰³ Interview with IR manager, Group HR, HSBC (June, 2001).

Nevertheless, we in HR wholesale banking and international provide support and general guidance for operations abroad”.¹⁰⁴ More specifically with regards to Europe, he added: “there is no pan-European business strategy, and it is more a collection of businesses, each of which has their own individual business strategy. There are some things that cut loosely across, the main things would that would be common are probably the credit risk principles which you would expect countries to follow”.

Regarding retail banking in the Spanish banks, only in BBVA are there clear signs of emerging coordination of HR in Europe. This is mainly in term of their Spanish and Portuguese operations, given the move towards a more integrated management structure and the existing affinity between the two markets. With respect to non-European retail operations, coordination of HR policies appears to be more prominent among the Spanish banks. In BSCH certain areas of collaboration are emerging between the Spanish and Latin American operations; for example, the provision of top management positions in Latin America and the design of general principles for remuneration policies. A perhaps more important feature is the existence of common policies for the Latin American region, emanating from the Latin American division and its HR department. This shows the importance given by BSCH to Latin America as a distinctive region. A similar picture emerges from BBVA, which considers Latin America a region with its own HR division. Both in BSCH and BBVA, however, the existence of central HR divisions for Latin America does not imply that policies and practices are exactly the same for all the subsidiaries in the region. A certain degree of decentralisation exists (greater in BSCH than in BBVA) for the different banks, and the function of the central HR Latin American

¹⁰⁴ Interview with HR Business Partner –International, LTSB (September 2002).

division is that of overseeing the activities of the different banks and creating common HR guides and principles that the different country subsidiaries are to follow.

Management Policy and the Extent of a Cross-national Corporate Culture

As argued in Chapter 2, international coordination in the HR arena in MNCs is achieved not only through formalised structures and policies but also through what has been termed ‘social’ or ‘cultural’ control mechanisms (Child, 1984; Barlett and Ghoshal, 1998; Harzing, 1999). Indeed Ferner (2000a) stresses the increasing importance of this type of control mechanism for the effectiveness of more formal controls and procedures. The desire to ‘control’ certain types of behaviour and practices through the organisation is presented as the rationale for management attempts to modify culture, and such attempts can therefore be seen as an expression of ‘*management policy*’ by central management. A management policy that reflects commitment to the development of supra-national corporate principles and ethos suggest management interest in integration and a certain degree of universal practice across the organisation. In this sense, it is argued that management policy is a crucial influence in the development of international HR coordination, and therefore influential too for the existence of EWCs. The varying extent to which a supra-national corporate culture is being developed in the four case companies is explored through three salient aspects in the corporate culture literature.

International Mobilisation of Personnel: One of the most widespread types of social control is the international mobilisation of personnel across the organisation. Among the Spanish banks, both BSCH and BBVA have broad programmes for the exchange of personnel between different parts of the corporation, although in both cases they are particularly focused on linking Spain and Latin America. In 1999 BSCH launched the ‘Future

Managers Programme', for the training and development of managers in Spain and America only.¹⁰⁵ Also in 1999 it launched the 'Mobility Programme', aimed at the mobilisation of managers mainly within Spanish and Latin American operations (but also including other European countries). As a summary of policy, a management interviewee maintained: **"In terms of HR the main objective is to achieve globalisation. We move everyone, from analysts to executive managers, and want to have a high level of rotation so that our managers know all the markets and use the best practices, and this will contribute to create a climate of globalisation within the BSCH with a special focus on our Latin American markets"**.¹⁰⁶ BBVA's programme for management development is called 'Plan 50', and is aimed at enabling managers to implement the 'BBVA management model' in any of the Group firms in America.¹⁰⁷ In 1999 the Group launched its 'BBVA Corporate University', with the aim of developing critical aspects of the Group culture, corporate values, management style and basic HR policies, in order to strengthen a common Group project and its implementation.¹⁰⁸

Among the British banks, HSBC is particularly known for its global approach and 'One Bank' culture. Part of this stems from a group of around 350 globally mobile international managers under a common HR policy.¹⁰⁹ However, the transfer of specialist management across the organisation is almost exclusively in the wholesale and commercial banking businesses at European level, given the increasing commercial and operational alignment of these businesses. In LTSB, a programme for management mobility operates at Group level,

¹⁰⁵ The Programme consists of a group of young managers (at present 150) rotating around different functions and countries to become future country managers and general business managers in different areas, and it is structured around long-term and short-term assignments.

¹⁰⁶ Interview with HR manager-Latin American Division, BSCH (July 2001).

¹⁰⁷ *Cronica*, BBVA, March 2001.

¹⁰⁸ *Cronica*, BBVA, July 1999.

with around 100 managers exposed to different environments at international level, though transfers at European level tend to be infrequent, partly because of the relatively small size of the Group's operations in Europe.

Networks of HR Management at International Level: Meetings of HR management at international level have been increasingly formalised in the Spanish banks of this study, as a way of culturally and operationally integrating acquisitions in Latin America. In BSCH, international meetings of HR managers in Spain and Latin America are organised on an *ad hoc* basis around two-three times a year. IR managers often attend these meetings and issues for discussion include the evolution of the legal framework, principles regarding the management of trade unions, and specific problems affecting a group of staff within the Group. BBVA places more emphasis on the Portuguese operations, and meetings are organised one-two times a year for HR managers from Spain, Latin America and Portugal. These meetings have the aim of encouraging contact, sharing of practices, transferring knowledge, and the discussion of know-how, culture and common issues.

In the UK, international management networks are more established and formalised in HSBC than in LTSB, which one would expect considering the greater international profile of the former. In HSBC, there are regular meetings of the so-called 'The Top 40' to discuss the Group's general strategy and future world-wide direction.¹¹⁰ Within the HR arena, there is an annual meeting at European level for the HR managers of EU countries under CCF management, to discuss common and future HR strategy and policy, as well as to familiarise themselves with each other. In LTSB, HR meetings at international level consist

¹⁰⁹ These 'global' managers can be placed at any level in any subsidiary of the Group with the aim to generate consistency across the organisation and increase the transfer of knowledge and shared practices.

of occasional *ad hoc* meetings between the head of International HR management and the local HR and/or country managers: **“It tends to be more initiated by me. I think I’ve had one meeting in the last 6 years of all the European HR people together, and I think that was specifically to talk about the EWCs. Other than that I would do it on a country by country basis, so I have a relationship with Spain and deal with them on issues that are different from the ones in Switzerland, etc”.**¹¹¹

Common Group Values and Guiding Principles: Corporate culture can also be fuelled through the dissemination of common values, standards and know-how in the organisation. Although the organisational impact and effect of such dissemination depends considerably on formal systems of management control (Ferner and Edwards, 1995), its mere existence indicates corporate management’s will to bind the organisation together.

HSBC is renowned for having a strong corporate culture, promoting the concept of ‘One Bank’. In line with this, HSBC Holdings sets out some general standards and central policies, and operates under a set of core ‘Business Principle and Values’. Among other things, these emphasise equality of opportunities and maintenance of effective employee relations. In parallel with the ‘global bank’ principle, HSBC also promotes the idea of a local bank, with the different subsidiaries and overseas operations adapting to the local environment. Accordingly, each subsidiary develops their own strategies and policies in line with the general guidelines set out by HQ. The promotion of a common corporate culture in LTSB appears to be to less developed than in the other banks in this study, although a set of Group principles, including risk exposure and equal opportunities, also

¹¹⁰ The ‘Top 40’ are some of the most senior executives in HSBC Holdings.

¹¹¹ Interview with HR Manager -Wholesale and International Business, LTSB (September 2002).

operate. Current management interest in promoting the idea of a 'Group philosophy' is nascent, but mainly visible at domestic level given LTSB's predominant UK presence.

In both BSCH and BBVA the integration of the extensive and diverse businesses acquired in Latin America is a primary objective. BBVA places a particular emphasis on the homogenisation and integration of the Group internationally, and promotes a common culture in both Latin America and Europe. A number of corporate values define BBVA as a Group: staff integration and motivation; quality; innovation; professional ethics; leadership; synergies; the client as priority; and output orientation. More specifically, in terms of HR the 'BBVA management model' is defined by common principles in evaluation systems, remuneration systems (a mixed salary incorporating a variable component related to performance and results), and training. Other universal principles which apply across the Group are equal opportunities and promotion, as well as areas such as policy transfers and selection, which must also follow certain lines established by HR at Group level. The integration of its Latin American businesses is also among BSCH's primary objectives, although in this case there is emphasis on financial results and adequate profit levels, with higher decentralisation to subsidiaries regarding management style/reporting. Accordingly, adequate levels of consolidated balance, risk management and efficiency are the pillars that subsidiaries and franchises follow. In addition there are ten Group management principles: the importance of the client; idea generation; ability to compete; importance of objectives; flexible organisations and structures; management development; teamwork and communication; risk management culture; and an adequate capital ratio. In HR terms, there are a number of governing principles based on remuneration, for example, although these tend to apply to higher level management. Likewise, global principles emanate from the central IR function in Spain, covering dialogue, participation and collective bargaining in

workplaces, where the local legal framework mandates are passed to the different units of operations at home and overseas, as well as guidance and technical assistance.

Summary

This Section has examined the degree of international HR coordination and has revealed a considerable degree of consistency between formalised HR procedures and systems/policy manifested through developments towards a Group-wide culture with international reach. In the wholesale and commercial businesses of the banks, although responsibility for HR might at times formally rest in the subsidiaries, coordination of HR policies is generally well developed. With regards to retail, HSBC presents emerging signs of cross-border HR activity, but the divided legal structure of the bank in Europe appears to have slowed down developments. Coordination of HR in LTSB remains domestically focused given recent acquisitions within the UK and the strong UK orientation of the Group. The Spanish banks show stronger signs of international coordination of their HR policies and practices (in particular BBVA), but this is strongly focused towards their Latin American operations. Higher degrees of coordination of HR between the Spanish and Portuguese operations of BBVA are, however, foreseen. With regards to advancements in HR coordination through a common Group 'culture', developments are evident in the Spanish banks but again these are more prominent in Latin America.

8.4.3 Implementation of an International Strategy in HR: Reward Systems as an Example

Much of the existing literature on international HRM is concerned with issues affecting a relatively small part of the workforce. The transfer of management and use of expatriates is one of the most discussed aspects of international HR coordination (Edwards, et al.1996). Similarly, executive compensation and training programmes are two major areas of debate.

Much less is known, however, about issues concerning the management of non-managerial employees across borders. For the purposes of this study, however, these issues are equally, if not more, important. First, they form the majority of the issues covered in processes of employee information and consultation, and, second, corporate harmonisation of HR policies affecting the majority of the workforce reflects to a larger extent management interest towards the establishment of common HR practices across the organisation. Rewards systems, including compensation and benefits, is one major area of HR policy (Walton and Lawrence, 1985), and is chosen as an example of one of the most prominent areas of current HR change across banking organisations. The extent of international coordination concerning compensation and reward systems in the four banks will now be explored, a key issue being the extent to which performance-based appraisal and reward systems have been or are in the process of being standardised across the home and overseas businesses of each Group.

The two Spanish groups have formalised international Group-wide guidelines for remuneration policies which emphasise the use of variable remuneration, although detailed practices and remuneration levels are generally left to the subsidiaries themselves. BBVA, however, presents higher homogenisation in this area, having devised a benefits and reward system for general implementation across the Group, including retail banking.¹¹² In BSCH, however, there is greater coordination only in the global wholesale division. Indeed, at the time of the interviews this division was developing a common grade and job category system across countries. HR policies also emerge from the divisional HQs in BSCH. These include global compensation schemes (based on variable retribution and a long term bonus

¹¹² This embraces most BBVA operations, with the exception of a number of entities such as Investment Banking (suggesting the existence of separate methods for this division), E-commerce and Uno First.

plan), although salary levels and profit plans are locally determined. The same principle guides the Group's activities in Latin America, though a more direct relationship exists with the subsidiaries' top management than with the Latin American division HQ. This is also because local banks in Latin America are concentrated mainly in retail and commercial banking as opposed to wholesale.

Among the UK banks, compensation and reward systems outside the UK are more coordinated in HSBC, but again the situation differs between wholesale, commercial and retail, the first two operating more 'global' and coordinated systems. With regards HSBC retail, Group-wide guidelines on performance management and the implementation of variable remuneration apply, although local adjustments need to be incorporated: **"The principles are aligned but the detail isn't. In Malta, for example, we have a large branch network, heavily unionised, and as a consequence the negotiated pay deals are put in place for a three-year period, which we don't do in other countries, but the structure of the pay is the same. CCF is a fairly new acquisition, so it has slightly different compensation systems, but increasingly we are bringing them towards common features".**¹¹³ In LSTB, HR (including remuneration) takes place on a country by country basis. Some specialist wholesale banking units have tailored remuneration policies, but generally geography pre-dominates in the organisation of the business and there are fewer signs of international convergence of reward policies than in HSBC.

Taking reward and remuneration systems as an example has again highlighted the more general distinction regarding degree of HR coordination between more globally organised divisions and those that are locally focused. Generally, the wholesale and commercial

¹¹³ Interview with HR manager-HSBC International (November 2002).

divisions of the four banks have developed fairly aligned reward systems. This supports Ferner's (2000b) proposition that the higher the proportion of internationally mobile staff, the higher management interest in developing coordinated HR systems. With regards to retail banking activities there is significant current development in three of the banks. In HSBC, the application of Group-wide systems in Europe is progressively incorporating businesses, although this is still at an early stage, and in the Spanish banks the size and importance of their Latin American operations justifies their efforts towards multiregional tailored policies (specifically adjusted for the Latin American context), although within Europe only BBVA is working towards the integration of Portugal and Spain. LTSB's reward policies reflect its strong domestic orientation, with little cross-border coordination.

8.4.4 The Use of Standardised Control Mechanisms

In addition to formalised procedures and systems, many companies operating across countries are opting to pursue strategies based on the monitoring of labour in order to increase coordination and control both nationally (Marginson et al., 1993) and internationally (Mueller and Purcell, 1992; Marginson et al., 1995). In organisations of the size of those examined in this study, this type of control mechanism could be important in achieving increased coordination of employment and HR policies of non-managerial employees. Among other reasons, this is because of the difficulties involved in having standardised policies and practices in large workforces, and across a variety of language, cultural, legislative and institutional contexts.

Both BSCH and BBVA have well-developed information systems of business monitoring that are international in their reach. BSCH operates both nationally and internationally with exhaustive financial indicators playing a key role in investment and management decisions,

though monitoring is more thorough in Latin America than in European strategic alliances. Similarly, in BBVA monitoring systems operating across borders record data regularly, including total headcount, global and unitary costs, and training hours. In the two UK banks, standard systems of data collection and monitoring exist (including employee performance, headcount etc.), although only in HSBC are there signals of these being international in their reach. Although at present data on employee information and headcount is compiled mainly on a country basis, an HR management information system is currently on trial in HSBC Middle East operations, and was to be extended to the US, Asia Pacific and Europe during 2003. In LTSB, HR measuring systems exist at national level, and figures are benchmarked mainly within the different businesses, with no significant cross-border developments in this area.

8.4.5 Conclusion

According to this analysis, a major distinction must be made between wholesale, commercial and retail banking businesses. In those businesses organised along global lines (often wholesale banking, private banking, asset management, investment banking, and, on some occasions, commercial banking), HR policy and decision-making is rather centralised and tends to involve small workforces. In commercial or wholesale businesses not organised along global lines (e.g. when they are part of subsidiaries), steps towards more coordinated management of HR are visible in a number of areas.

As regards retail banking, there are signs of greater HR coordination among the Spanish banks. BBVA in particular, although also BSCH, is devoting extensive resources to integrating its foreign business into the Group culture. Both banks have acquired a large number of foreign businesses in less than ten years, which has resulted in the doubling of

existing workforces, so that, for the first time, the number of employees in overseas businesses exceeds the number of home employees. The management of the diverse acquired businesses in equally diverse national, legal and institutional environments presents a considerable challenge, and the promotion of a 'group culture' has been key to simplify and homogenise these different realities. Among the UK banks, HSBC is presently under a process of re-organisation in Europe following the acquisition of the French CCF and the introduction of the Euro. CCF is to take a leading role as centre of Group operations in the Eurozone, and although its integration with the more traditional European businesses (Malta, Cyprus) is still at an early stage, in particular with regards retail banking, developments in commercial and wholesale are already advanced. LTSB presents a low degree of coordination, with the management of its overseas subsidiaries largely devolved from the centre and reflecting its predominantly domestic focus.

8.5 HR COORDINATION VERSUS THE NATURE OF INTERNATIONALISATION: IMPLICATIONS FOR MANAGEMENT AND TRADE UNION POLICY TOWARDS EWCs

According to the initial hypothesis outlined in Section 8.1, the evidence presented on the higher integration of organisational and management structures of the two Spanish banks, as well as greater international HR coordination, would suggest that these are more likely to have a European-level body for employee information and consultation than the two UK banks. This is not the case, however, since EWCs exists in both of the British firms and not in the Spanish firms. A key factor explaining this apparent paradox is the geographical location of the international operations. This appears to dominate over the other factors; it intervenes, differentiating the most internationalised Spanish banks from the most internationalised British banks. As already mentioned, both BBVA and BSCH have

followed extensive internationalisation strategies, strongly concentrated in Latin America. In comparison, their European expansion has been very limited (with the exception of Portugal), and essentially based on the expansion of their wholesale banking activities (and therefore involving small, not highly unionised workforces), and the establishment of alliances with other European financial entities. Indeed, BBVA's European activities consist of a small number of offices of representation, wholesale banking offices, and alliances with two European banks. While BSCH has a more extensive presence, its own branded operations are scarce; it operates mainly through alliances and acquisitions of less than 100%, and thus tends to be focused not on organisational integration, but on market presence. In sum, both Spanish Groups have a strong focus on their activities in Latin America, which is consistent with the lack of interest from both management and trade unions towards the establishment of EWCs that was revealed during the fieldwork.

In BBVA, an EWC was requested in 1997 following a joint petition of the Spanish, Belgian and French unions. While interviewees on the union side stated that they had officially requested the establishment of an EWC and not had any response from Group management, their demand lost impetus following the sale of the Belgian and French banks. Only recently, subsequent to the acquisition of the Portuguese subsidiary, are there signs of re-emerging interest. Indeed, the existence of significant operations in Portugal, including major retail banking activities and a larger workforce, was mentioned by trade union sources as a reason for revived interest in an EWC: **“we would be interested in an EWC, because the law back us to do so, and it would give us more chance to extent trade union policy to other countries like Portugal, because together we can be stronger and propose Group-wide policies for better employee conditions. We would like to know why in Spain a continuous and fluid communication framework does**

exist, and not in Portugal”.¹¹⁴ Similarly, Group management referred to the lack of a significant European presence (in terms of the workforce’s imbalance across countries, and the irrelevance of Spanish IR and HR issues for workforces in the rest of Europe), as a factor behind the EWC not being a priority: **“Perhaps because of the imbalance between the 35,000 staff in Spain and at the most 1,500 in the rest of Europe, the EWC would be very disproportionate, and everything we would comment or say in that forum would be related to Spain, that is the main nucleus, because we don’t really have a sufficient number of people in each of those countries, and our decisions are not going to affect any other financial or productive system. Our presence in other European countries is not significant in terms of which policies at Group level can be applied. The only thing we would achieve would be a very formal and administrative body that would mean only costs. And we would be dealing with the issues we deal with in other Spanish forums with the domestic unions, with the subsequent costs in terms of days lost, translators, travelling, and all for nothing! EWCs are a very nice body, politically and philosophically speaking, but legislators have not adequately thought of how to implement them, because if the threshold is 150, it is not the same to talk about 200 than 30,000!”**¹¹⁵

In BSCH, management-union talks around the establishment of an EWC were initiated in 1999. Group management then offered the possibility to establish an EWC based on the terms of the EWCD, that is with a European remit and based on information and consultation rights only: **“We, in BSCH, suggested at due time, the establishment of the EWC, and told the trade unions that we wouldn’t have any problem in creating an**

¹¹⁴ Interview with trade union official, UGT (August 2001).

¹¹⁵ Interview with IR manager, BBVA (July 2001).

EWC. We told them we would give them what is established in the Directive and nothing more because we don't want to encourage a European trade union movement".¹¹⁶ It became apparent from interviews with both management and trade union officials that the union side was not very keen on the idea of an EWC, but were keen on similar initiatives with a wider scope and covering Latin American trade unions.

Despite the lesser degree of international HR coordination across the operations of HSBC and LTSB, an EWC exists in both Groups. A common feature is that in both banks the EWC was set up as a voluntary agreement, before the EWCD deadline for the establishment of EWCs. Nonetheless, there is a three-year difference between the EWC agreements of HSBC and LTSB. In HSBC, an agreement was reached in September 1996 between UK HSBC management and UK and German union officials, and was also signed by the French union recognized in HSBC France,¹¹⁷ and by Uni-Europa (the European trade union federation for the finance sector). In LTSB a voluntary agreement was set up in 1999, just before the deadline for implementation of the UK's EWC legislation (which specified a statutory negotiating procedure), following the country's opting in to the Social Chapter. The later establishment of the EWC in LTSB reflects two issues. Firstly, a greater reticence from management towards the establishment of an EWC (compared to HSBC). Indeed, Unifi officials had previously requested the establishment of an EWC, but management argued that resources towards further domestic integration (in terms of IR) as a result of recent mergers and acquisitions within the UK should be priority. Secondly, the relatively small scale of the Group's operations in the EU (outside the UK) meant less pressure to establish an EWC. Indeed LTSB's operations in Spain (the only country qualifying for

¹¹⁶ Interview with IR manager, BSCH (July 2001).

¹¹⁷ Syndicat parisien du credit force Ouviere.

seats in the EWC at the time) had notably decreased in size and workforce in previous years. The stronger stake of HSBC in Europe was influential in setting up an EWC at an earlier date, due to greater demands from unions in other countries, as well as increasing management interest following organisational developments.

8.6 EMPLOYEE REPRESENTATION

One factor frequently mentioned as influential for the existence of EWCs has been the existence of long standing tradition of employee representation and cooperative IR at home country level or in the country/ies with larger workforce (Lecher et al., 1999; 2001). This aspect is explored in this Section.

8.6.1 *Trade Union Recognition and Employee Representation Structures*

All four Banks have union recognition at home country level. In fact, three of them (BBVA, BSCH and LTSB) recognise more than one union or employee association at domestic level. Only HSBC has single-unionism. In all four cases the unions have well-developed structures of representation at company level and formal structures of collective bargaining. There is nonetheless a pronounced gap in the levels of trade union density among the Spanish and the UK cases. As Table 8.5 shows, these are around 40% in BBVA and 35% in BSCH, as compared to approximately 50% in HSBC and 63% in LTSB. This difference is, however, lessened by the fact that union influence in Spain is not so much reflected by the levels of trade union density but by the support unions receive from workers in the work councils' elections (Martinez Lucio, 1998).

Table 8.5: Trade Union Recognition in the Main Case Studies

	HSBC	LTSB	BBVA	BSCH
Trade union recognition	Yes	Yes	Yes	Yes
Trade union density	*50%	*63%	*40%	*35%
Trade unions recognised (home country operations)	Unifi	LTU, Unifi, MSF GMB	CC.OO, UGT, AMI, FICT, CIG, ELA, LAB, ESK, SABEL, SOL, USO	CC.OO, UGT, AMI, FICT, CIG, ELA, LAB, ESK, SABEL, SOL, USO
Trade unions recognised abroad	Yes	Yes	Yes	Yes

Source: Own

*Approximate figures

Given the lack of formal mechanisms in the UK's legal system for providing ongoing employee representation (e.g. a system of statutory representation through work councils), most employees are either represented by trade unions or have no representation at all. Employer recognition of one or more unions is therefore key to the existence of company and workplace representation. As already mentioned, both British banks have union representation within their UK operations, whereby workplace representation is carried out by trade union representatives, with no work councils system in place.

In the two Spanish banks a system of dual representation exists through trade unions and works councils. There are not, however, group-level works councils; councils exist only at regional and local/divisional level. Moreover, it became clear from the interviews that in BSCH and BBVA works councils have a nominal rather than active role; that is, their configuration reflects the level of representation of the different unions. Indeed, interviews with trade union representatives revealed that in many cases the work councils had not met for considerable time. Their function as an information and consultation body is thus often replaced by management interaction with union 'sections' (the entities that group members of a particular union within the firm) at either/both national and/or local/regional level. In

both cases, however, the existence of group-level structures of representation within the Spanish operations has not led to the formation of EWCs, the main reason being the Latin American orientation; the Spanish unions are trying to establish EWC-type structures here.

In both HSBC and LTSB, on the other hand, existing structures of employee representation at group level have facilitated the formation of their respective EWCs; a union-management relationship at group level was already established, and channels existed for creating awareness and drawing representatives within the firm at home country level. Nevertheless, it is not easy to assess whether the EWCs would not exist if these structures did not exist. There was a three-year delay in the formation of the EWC in LTSB, but arguably due to the lack of geographical presence in Europe and integration of their organizational and management structures. The lack of demand for an EWC from foreign union counterparts, that is mainly the Spanish side, facilitated the postponing of the EWC, while in HSCB the initial larger presence of the Group in Europe, and their immediate plans for further growth and integration in Europe, prompted the establishment of an EWC at a much earlier stage.

8.6.2 Extent of Information and Consultation over Employment Matters

This Section explores the content and scope of information and consultation / collective bargaining in all four banks, and, in the case of the Spanish banks, the extent to which bargaining takes place through each representation channel. The aim is to obtain a feel for the depth of management-union 'jointness' in employment matters, in order to assess the extent of trade union input or influence on employment matters. The argument is that if the union-management agenda is wide-ranging, it is more likely that this relationship may then be built up to European level.

Tables 8.6 and 8.7 summarise the levels and content of negotiation and information and consultation in each of the four main case studies (examined in detail in Chapters 6 and 7). In practice the distinction between information and consultation, as well as between consultation and negotiation, is not clear-cut. The data collected in each bank regarding the extent of information and consultation as well as negotiation, confirmed that the lines between the two (or three) categories are often blurred. This was also noted by a large number of the respondents themselves, and often management-union relations are conducted in a context of dialogue that can involve simultaneous consultation and negotiation, with negotiations not always ending in the conclusion of agreements.

A comparative analysis of the four banks reveals that the extent of management-union 'jointness', in terms of the scope of the agenda and depth of the relationship, in the two UK banks is greater than in the two Spanish banks. Paradoxically, despite greater legal rights at company level, the Spanish unions have achieved advances more through sector agreements (often in other sectors) than within the banks, where management continues to erode union's influence through a relationship characterised by confrontation.

The extent of information and consultation in HSBC and LTSB appears to be very similar, with slightly more formalised procedures in LTSB. Consultation takes place over most major changes affecting employment, including issues of restructuring, job losses, redundancy plans, pensions, flexible contracts and working time. Since their lowest point in the mid-80s, management-union relations in both have significantly improved, with unions being consulted and involved in dialogue over major employment issues.

Table 8.6: Levels and Content of Bargaining in the Main Case Studies

	HSBC	LTSB	BSCH	BBVA
COLLECTIVE BARGAINING NEGOTIATIONS				
Sector level	No	No	Sector Framework Agreement covering most aspects relating to the work contract, e.g. Professional categories, promotions, salary levels, remuneration of extraordinary hours, holidays, social benefits.	Sector Framework Agreement covering most aspects relating to the work contract, e.g. Professional categories, promotions, salary levels, remuneration of extraordinary hours, holidays, social benefits.
Company-level collective agreement	Yes National coverage Does not cover First Direct, Asset Finance and Off-Shore banking.	Yes National coverage Does not cover some of the recently annexed companies	Yes National company wide agreements on certain issues.	Yes National company wide agreements on certain issues.
Method	Ad hoc negotiation arrangements between trade union negotiating team and management team (employee relations team and business manager)	Joint Negotiating Committee (for every union) and ad hoc negotiation arrangements.	Trade union structures at company level (secciones sindicales at company level).	Trade union structures at company level (secciones sindicales at company level).
Issues	Non managers: Basic pay for each clerical grade and technical staff, working time, geographical allowances, holidays and pensions.	Pay, working time, job security, work flexibility, pensions.	Improvements on sector agreement on issues including salary levels, holidays, working time, social benefits, pensions, holidays and leave.	Improvements on sector agreement on issues including salary levels, working time, Saturday working, holidays, pensions and leave.
No subject of negotiation	Bonus payments, managerial salaries, work organisation, staff deployment, new contracts.	Design and implementation of productivity measures, management individual bonuses.	Work organisation, variable part of the salary, branch closure program.	Work organisation, new contracts for new staff, branch closure program, variable part of the salary.
Local/division collective bargaining	Yes Separate conditions for First Direct, Offshore banking and Asset Finance. Working time arrangements at local and regional level. Increasing business level negotiations.	Yes. Separate conditions for Card Services (South East), Transmission Services (Birmingham), Telephone Centres, Operations, IT staff. Working Time arrangements at local and regional level. Increasing business level negotiations.	Yes Some large workplaces-centres or specialised functions.	Yes Some large workplaces-centres or specialised functions.
Method	Ad hoc arrangements for negotiating between management and union officials.	Subcommittees of JNC, and ad hoc arrangements for negotiation.	Trade union sections at regional/local level and works councils	Trade union sections at regional/local level and works councils
Issues	Working time arrangements		Minor issues such as the monitoring and coordination of social and workplace facilities. Also resolution of individual conflicts (trade union sections).	Minor issues such as the monitoring and coordination of social and workplace facilities. Also resolution of individual conflicts (trade union sections).

First Direct: full negotiating position with both managerial and non-managerial staff. Different union negotiation body although subordinated to Unifi national committee.

Source: Own

Table 8.7: Levels and Content of Information and Consultation in the Main Case Studies

	HSBC	LTSB	BSCH	BBVA
INFORMATION AND CONSULTATION				
National Company Level	Yes	Yes	Yes	Yes
Method	National consultation for HSBC Bank plc. Non-managers: no formal arrangements. Ad hoc meetings between union officials and employee relations management. Job Security agreement - allows to call for meetings to discuss proposals Managers: Management Forum	National consultation (as opposed to regional in the old TSB)	Trade union sections/ structures at company level.	Trade union sections/ structures at company level.
Issues	New jobs and changes in job categories, changes in remuneration systems towards performance based systems	Homogenisation of post-merger employee terms and conditions, design of incentive schemes and bonuses are consulted with the union at national bargaining level.	Homogenisation of post-merger employee terms and conditions, staff restructuring and pre-retirement schemes, outsourcing.	Homogenisation of post-merger employee terms and conditions, staff restructuring and pre-retirement schemes.
Local /Divisional Level	Yes (local and regional level)	Yes	Yes	Yes
Method	Ad hoc arrangements between union officials and management. Job security agreement.	Consultative committees	Works councils and trade union sections	Works councils and trade union sections
Issues	Working time, specialist contracts, holidays.	Working time, specialist contracts, holidays.	Working time, training, staff restructuring, absenteeism statistics.	Working time, training, staff restructuring, absenteeism statistics, outsourcing.

Source: Own

In HSBC, although recognition of unions for managerial levels was removed in 1996 and replaced by management divisional councils (with no union representation) for consultation purposes, this has been substituted recently by a national council with union representation. For non-managerial levels, consultation through staffing review committees takes place often at divisional level with more *ad hoc* arrangements at national level according to business requirements. Union officials maintained that while they would prefer greater formalisation (other than the annual collective bargaining), IR in HSBC are currently good, with a great deal of union involvement over management of change. Both managers and

employee representatives interviewed recognised the influence of the current CEO in acknowledging the legitimate role of the unions in the firm. It was also acknowledged that there has been a change in the union's approach conducive to the change in IR climate, with less opposition and a greater understanding of the business easing the attainment of agreements.¹¹⁸ An example is the emergence of global processing and transfer of work to Asia. Although the union was initially fearful because of potential implications for job losses, management promised to avoid redundancies with re-deployment policies. The emphasis thus focused on agreements on life-long learning schemes, which aid employees taking on new roles. Management has also sponsored the union to travel to Asia to examine HSBC's global processing centres with the aim of establishing potential links with local unions and assessing local practices. Regarding working time, a company-wide framework agreement exists, but work-life balance issues have started to be negotiated at divisional level as part of the widening of the bargaining agenda.

In LTSB, the obligation to consult derives from the 1996 Job Security Agreement; this followed the merger between Lloyds Bank and TSB, and has widened and deepened in recent years. It now covers not only contractual issues and redundancies, but also changing work patterns, new strategies and management reporting lines. Negotiation over contractual issues takes place at national level, with divisions becoming increasingly involved in consultation and negotiation over other employment issues such as redundancies, transfer terms and conditions, special contracts and working time, etc.. Both union and management stressed, however, that in practice consultation and negotiation processes often overlap, and that the trend is for a great deal of informal debate to take place outside the formal IR structure. An example is the union input over pensions, redundancy payments and changes

¹¹⁸ Interview with trade union official, Unifi (June 2001).

to bonus schemes derived from outsourcing strategies. In the words of a union official: **“it is negotiation because it affects changes of contract, but it is done under the consultative framework”**.¹¹⁹ Similarly, employment levels and redundancy plans, which were generally consulted at national level, have recently been raised at the Joint Negotiation Committee (JNC). Union officials see this as a sign of these issues having a higher profile and being more in debate, again reflecting blurring boundaries between the notions of consultation and negotiation. Part of the move towards a widening consultation agenda is the creation of specialist sub-committees,¹²⁰ to deal with ‘non-traditional’ bargaining issues such as equal opportunities or work-life balance on which the unions expect to reach a framework company-wide agreement in coming months.

Spanish labour law regulates consultation in BSCH and BBVA. Most issues are consulted at national company level through the union ‘sections’ at that level. Occasional consultation exists at local level or in particular areas of the Bank (e.g. investment or corporate banking divisions in BSCH) through works councils. Although the consultation agenda is in theory wide-ranging, embracing issues such as professional training plans, organisation and control systems, and the establishment of employee bonus and incentive systems, in practice trade union input is fairly limited. Union sources highlighted insufficient legally required management information on employment issues (e.g. stress related illnesses, outsourcing and temporary agency workers). Regarding training, for example, union sources from BSCH maintained that consultation exists only when training plans are dependent on public EU-related funds which to be granted require previous consultation with company unions. Similarly, variable performance related remuneration systems are an

¹¹⁹ Interview with trade union official, Unifi (September 2002).

¹²⁰ Subcommittees of the JNC.

area of management prerogative with little union intervention, both in BSCH and BBVA. Union officials at BSCH maintained that only in certain cases does the Bank offer a consultation period, aimed at achieving consensus and preventing potential social conflict (given the importance of the banking sector in the Spanish economy, adverse publicity could cause considerable reputation and economic damage). Regarding work organisation issues, management and unions in both banks agreed that decisions were taken unilaterally by management with little or no union consultation. **“Salary distribution is partly linked to work organisation, and when you talk about how much is the variable remuneration for each employee, you are really talking about what salary and functions are attached to that post, and they (bank management) don’t want to negotiate that”.**¹²¹

The legacy of the IR tradition in BSCH and BBVA continues to shape the current IR climate. For example, the old BS had relatively non-participative union-management relations and scarce company-level negotiation, a culture that prevails in BSCH. Indeed, interviews with union representatives indicated that IR in BSCH overall were moving in the direction of the old BS, with a greater degree of unilateral decision-making by Bank management and less company-level negotiations. BBVA traditionally has had friendlier management-union relations, although increasing market pressures were claimed by union officials to be introducing changes towards a less consultative and participative culture. BBVA’s management interviewed confirmed that **“it is of course the firm itself that decides to introduce variable remuneration so that staff involvement increases towards the achievement of ambitious objectives. In this sense we are prepared to give**

¹²¹ Interview with trade union official - CCOO, BSCH (August 2001).

away a percentage of the profits but always on the basis that it is a totally unilateral decision based on the autonomy of the firm's decision-making".¹²²

Another source of eroding levels of union influence in BBVA and BSCH is the increasing role of the sector collective agreement as a framework agreement; a reference for minimum standards that mainly regarding the pay, terms and conditions of older, longer-service members of the retail workforce. This means that aspects such as salary levels, working time, career progression and professional development, which appear in the sector agreement, are not relevant to increasing numbers of bank employees. For example, staff grading systems and professional categories are regulated in the sector agreement. However, both banks have unilaterally developed their own job classifications within the wide functional categories established in the sector agreement, with no negotiations with trade unions. Likewise, in the past higher grading equaled higher pay, whereas now this correlation is not always the norm. Salary levels tend to be individually negotiated with employees, and salary increases are often not accompanied by higher grading, so that salary does not get consolidated regarding the pension. The efforts of BSCH and BBVA to circumvent the rigidities of the sector agreement involve unilateral decisions on, for example, the introduction of flexible contracts for new staff, working time (a continuous source of conflict with unions), outsourcing practices, and the use of temporary workers. In contrast to the UK Banks, outsourcing of activities in BSCH and BBVA has not generally involved the transfer of existing staff. Instead new companies with new staff are often set up as part of the Banks' Groups. This means that negotiation of existing terms and conditions is not needed. Conflict arises, however, on the one hand from union's efforts to

¹²² Interview with IR Group manager, BBVA (July 2001).

keep sub-contracted activities under the remit of the banking sector agreement, and on the other from management's efforts to de-regulate by employing temporary agency workers.

Unions at national level have been successful at enacting legislation to regulate the employment conditions of those workers in a number of new sectors and activities, such as the sector agreement for telemarketing workers and the sector agreement on temporary agency workers. Despite these achievements, union influence in the banking sector itself has significantly weakened, since terms and conditions set in the collective agreements for telemarketing and temporary agency workers are considerably lower. Further, the attempts of BSCH and BBVA to bypass legislation on temporary workers has seen the emergence of so called 'service' firms (as part of the Groups' operations or by outsourcing work to 'service' firms), which are not legally classified as temporary work agencies and therefore not affected by legislation. Moreover, unions claimed that management information on the extent of such activities was un-reliable and under-provided. In BSCH, an agreement was reached at national company level not to outsource core activities to 'service' firms. According to the unions, this agreement has not been respected on number of occasions, and the issue has been taken to the tribunals, where the Bank has been sanctioned.

Despite being a facilitating factor, from this analysis it can not be uncovered whether existing degrees of employee information and consultation (and even negotiation) in the two UK banks appear conclusive in determining the existence of their respective EWC, as other factors dominate in the two companies. For example, management will in HSBC to set up an EWC before the 1996 deadline, and a large restructuring process in LTSB at domestic level.

8.6.3 Trade Union Policy: Cross-National Trade Union Cooperation

The existence of international contacts between unions has also been advanced in the literature as a factor on which EWCs can build (Marginson et al., 2004). In the case of our UK case companies, none of the domestic trade unions had developed a significant working relationship with foreign unions previous to the establishment of the EWC, although there is no evidence that this has obstructed the creation of an EWC in each company. In the case of the Spanish banks an EWC does not exist, and nor do significant working relations with other European unions (except some contact with Portuguese unions in more recent times). Yet when considering the Latin American operations of BBVA (and BSCH), domestic trade unions have already developed significant contacts with Latin American unions. This has clearly not facilitated the development of EWCs. What is more it can be seen to have delayed the establishment of an EWC since the union side in Spain is working towards the establishment of a similar type of body with wider coverage to include Latin American activities. A key issue is again the geographical orientation of the international contacts. Although cultural and language proximity have no doubt played a part in the development of these links, a central factor it is also the size and integration of the Groups' operations in Latin America.

A combination of stronger cultural affinity and the weight and nature of operations in Latin America (large universal banks with extensive retail banking operations) has fuelled a working relationship between the Spanish and Latin American unions. A trade union official noted **“we are on that (EWCs), but still starting. We are working on a kind of world-wide employee-only coordinating body, although in reality it is ‘Hispano-Americana’ only (Hispanic-Latin America) because this Bank has huge assets in Latin**

America, and much less in Europe, apart from Spain and some in Portugal”.¹²³ Management interviewed expressed: “trade unions in Europe do not participate or collaborate much with the Spanish trade unions, whereas American trade unions increasingly depend on the Spanish trade unions; there is more communication and information than within the European context”¹²⁴. Similarly in BBVA, the importance of Latin America was stressed by union officials: “we have asked for an EWC officially, and we are going to look at ways of making a legal case against the Bank. The problem is also that the Bank’s operations in Europe are quite insignificant; Portugal is the only country with more than 150 staff, so the EWC would not have a lot of virtue; what we would like instead is to use the existing legal provisions to include other firms within the Group, including those in Latin America, but this is still an uncertain possibility”.¹²⁵ In the BBVA the extent of collaboration between Spanish and Latin American unions has recently materialized in the creation of a cross-national employee representative body recognised by Group management, very much based on EWC principles. In BSCH, a trade union ‘cooperating’ body was created in 2000, although management recognition has not been achieved yet, arguably as a result of the less participative management style of BSCH’s culture.

8.7 CONCLUSION

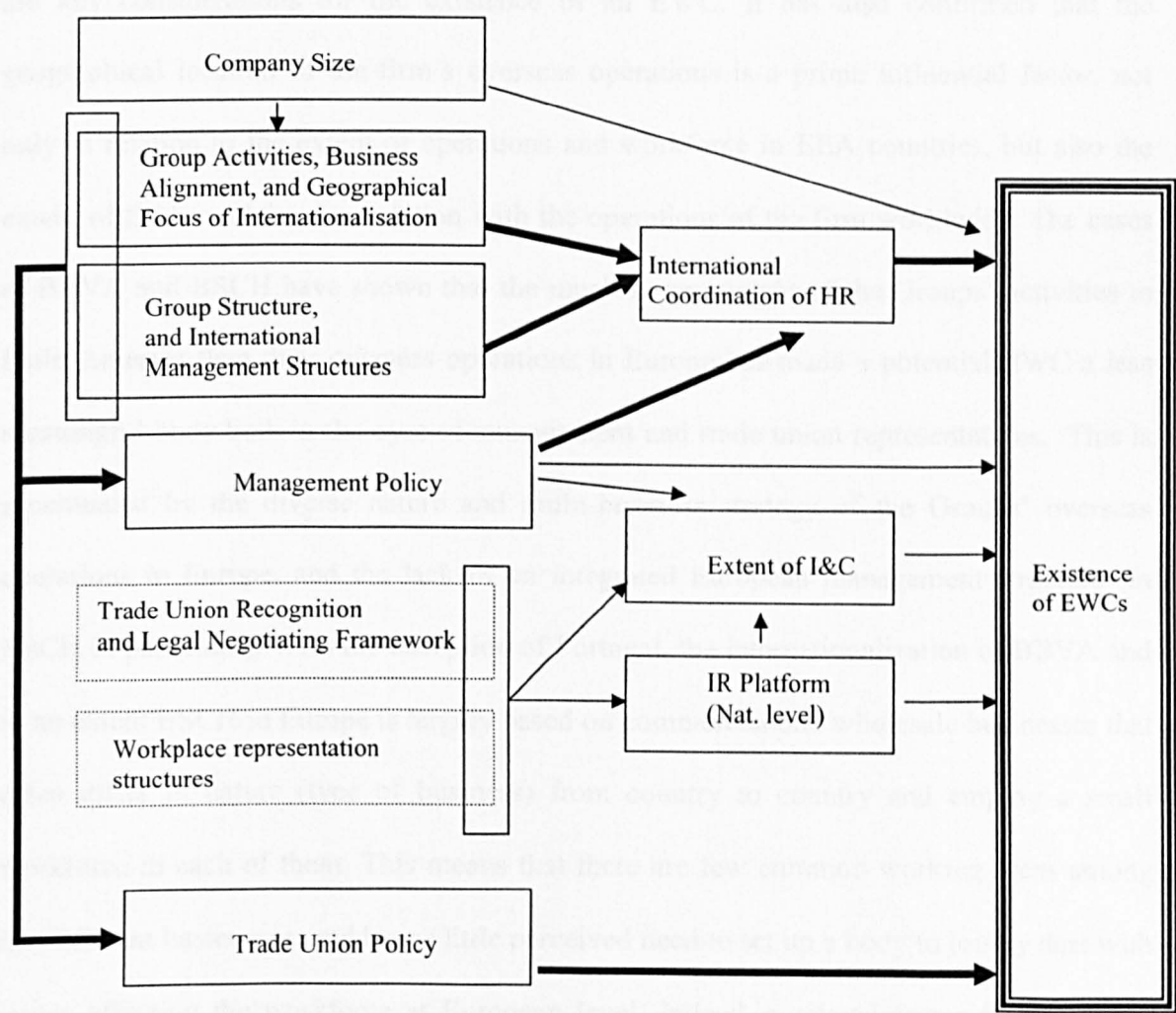
In previous Sections the factors that have influenced decision-making on the establishment or non-establishment of EWCs in the four case companies have been discussed. Whilst the analytical framework developed in Chapter 3 (Fig. 3.1) has helped to guide the discussion, the analysis of the fieldwork data has enabled a refinement of the elements that have

¹²³ Interview with trade union official - CC.OO, BSCH (August 2001).

¹²⁴ Interview with Group IR manager, BSCH (July 2001).

intervened in shaping the decision to set up or not an EWC in the four banks under study. Figure 8.2 depicts the way in which the initial analytical framework has been refined as a result of this research, where thicker lines represent the more relative importance in shaping the decision to establish or not an EWC of some of the factors identified.

Figure 8.2: Explaining the Establishment/Non-Establishment of EWCs in Banking: Four UK and Spanish Firms



This research has not provided conclusive evidence on the influence of company size on the existence/non-existence of EWCs given that all four main case studies are of considerably

¹²⁵ Interview with trade union official - CC.OO, BBVA (July 2001).

large size. Nevertheless, it is included in the above diagram as smaller banks in the UK and particularly in Spain have not to date established an EWC, which supports Kerckhofs (2002) findings on EWC's compliance rates of large versus smaller firms.

The investigation of the four banks has confirmed however that the extent of a firm's overseas workforce and operations and the extent to which they are spread across countries are key considerations for the existence of an EWC. It has also confirmed that the geographical location of the firm's overseas operations is a prime influential factor, not only in relation to the extent of operations and workforce in EEA countries, but also the extent of EEA workforce in relation with the operations of the firm worldwide. The cases of BBVA and BSCH have shown that the much larger weight of the Groups' activities in Latin America than their overseas operations in Europe has made a potential EWC a less meaningful body both in the eyes of management and trade union representatives. This is accentuated by the diverse nature and multi-business strategy of the Groups' overseas operations in Europe, and the lack of an integrated European management structure (in BSCH in particular). With the exception of Portugal, the internationalization of BBVA and to an extent BSCH in Europe is largely based on commercial and wholesale businesses that often differ in nature (type of business) from country to country and employ a small workforce in each of them. This means that there are few common working areas among the different businesses, and hence little perceived need to set up a body to jointly deal with issues affecting the workforce at European level. Indeed, a related factor that has been shown to be central to the discussion is the extent to which company operations are integrated across borders, since the greater the integration the more the likelihood of common employee concerns across countries, and the need for greater cross-border management coordination. Although there are greater signs of cross-border coordination of

HR policies in the two Spanish banks, such coordination is geared towards their operations in Latin America rather than Europe. The features of BBVA's and BSCH's international presence, business and management structures and cross-border HR coordination have been crucial in shaping not only management but more significantly trade union policy on establishing an EWC. Management's policy towards an EWC is also informed by their approach to cooperative IR, which in the case of the Spanish banks helps to explain their reticence to the establishment of an EWC-type body with wider scope to include the Groups' operations worldwide, especially in Latin America.

As for the two UK banks, a different combination of the above factors can explain the earlier establishment of an EWC in HSBC. The larger presence of HSBC in Europe, together with central management policy towards further European future expansion, and small but emerging signs of cross-border coordination, led to an employer-union agreement on the establishment of an EWC at an earlier stage. In the case of LTSB, the three year delay in the establishment of an EWC since the 1996 deadline can be largely attributed to the lack of international presence and business and management integration of its European operations, at a time where major restructuring at UK domestic level was taking place.

It has been argued that strong domestic employee representation legislation and traditions of cooperative IR are likely to prompt EWC-type (Lecher et al., 1999; 2001). According to this, one could expect that Spanish banks are more likely to be conducive to EWC-formation. The analysis in this Chapter, however, has revealed that although Spanish legislation supports a dual system of employee representation through works councils and trade unions, trade unions are the main channel through which representation is operationalised in large banks. The particularities of such firms and the industry itself mean

that there is not a single channel of information to employees but rather a divided stream running through each union. This resembles the UK banks of this study. In the case of the UK banks, HSBC and LTSB in particular, existing levels of employee information and consultation/negotiation and the existence of representation structures at UK company level as well as can have surely helped in the establishment of an EWCs, but it is difficult to assess their true role given that other factors dominated that decision in each company (management willingness to set up a voluntary EWC before the 1996 deadline in HSBC, and internal restructuring processes at UK level in LTSB). Employee representatives in the two Spanish banks, backed by a more favorable domestic employee representation legislation in principle, have not realised these advantages towards the creation of an EWC. Whilst the argument of maintaining privileged access might be true in the case of the European operations given their little significance in both BBVA and BSCH, it does not appear to be true regarding their Latin American activities, where Spanish unions are keen to forge links with their counterparts. Within this aspect of trade union policy, the argument of geographical orientation of the Group's operations regains importance. The geographical orientation of the two Spanish Banks towards Latin America, where they operate large retail banking operations under fairly integrated 'multi-region' strategies, structures and policies, has been key for the lack of interest of both management and trade unions in the establishment of EWCs.

Chapter 9

EXPLAINING THE INFLUENCE AND ROLE OF EWCs

9.1 INTRODUCTION

This Chapter aims to assess the actual influence and role of EWCs in HSBC and LTSB. To illustrate the variation found between the development paths and experiences of the two EWCs, Lecher et al.'s typology (2001) introduced in Chapter 3 is drawn on. To briefly recall, Lecher et al. (2001) distinguish between 'symbolic', 'service-oriented', 'project-oriented', and 'participation-oriented' EWCs, each representing different development stages according to what they refer to as 'ability to act'. The 'symbolic' category refers to an EWC which, while formally established, does not truly operate, usually being confined to the annual meeting with group management. The other three categories represent 'active' EWCs. A service EWC is one where the domestic employee delegation (or dominating employee group) see the forum as a tool for the exchange of information and provision of support to other employee representatives, rather than for exercising their advantageous position in their own interest. The project-oriented EWC is a more advanced stage, marked by the development of systematic internal and communication structures through which it can initiate its own specific projects. Finally, a participative EWC is that where the EWC is recognised for purposes beyond information and consultation, and moves towards formalised consultation, negotiation and/or the implementation of joint projects. Central to Lecher et al.'s (2001)

analytical framework is an integrated treatment of external and internal influences, which had previously been largely considered separately in individual case studies.

9.2 THE NATURE OF THE EWC AT HSBC AND LTSB

Table 9.1: Lecher et al.'s Typology (2001) of EWCs' Development

Type of EWC Level of Interaction	Symbolic EWC	Service EWC	Project-Oriented EWC	Participative EWC
EWC and Management	Poor information- passive EWC	Satisfactory information- but no participation beyond information	Satisfactory information with active EWC participation confined to information	Scope for participation beyond information in the form of formalised consultation procedures, negotiations/agreements and/or bilateral projects
EWC and National Level	No exchange of resources	Mutual Information Exchange	Mutual exchange of resources in particular transfer of national to European level which strengthens capabilities at European level	Mutual exchange of resources –in particular transfer of national to European level which strengthens capabilities at European level
EWC Internally	No exchange of resources	Spontaneously- developed structures and procedures for internal communication. Sufficiently cohesive to ensure flow of information (mostly hegemonic structure)	Systematic developed internal structures and procedures and which guarantee capacity Sufficiently cohesive to define and implement projects (hegemonic or equal structure)	Distinct internal structures, procedures and activities which guarantee capacity Sufficiently cohesive to deliver opinions as a body to management and negotiate (hegemonic or equal structure)
EWC and Trade Unions	At best formal integration	Integration of trade unions possible but not necessary	Integration of trade unions possible but not necessary	Integration of trade unions necessary in the own interest, but not indispensable from standpoint of EWC

Source: Elaborated from Lecher et al. (2001)

Lecher et al.'s (2001) typology (Table 9.1) can be used to locate the development trajectory of the EWCs at HSBC and LTSB. The EWC at HSBC began as a 'symbolic' forum, with little activity beyond the stipulated meetings. There was constrained scope for participation, with poor information provision and little or no discussion of relevant issues. Nevertheless, since its creation, and in particular from the time of the re-negotiation of the original agreement in 2001, the EWC has become 'active'. It can now be described as what Lecher et al. (2001) term a 'service-oriented' EWC. Whilst the scope for meaningful participation still remains limited, the home country employee delegation does not abuse its dominant position and has shown readiness to contribute to the building of mutual trust and information exchange among representatives. In parallel, management's approach to the EWC has moved from a rather passive and

minimalist approach to an active willingness to make the EWC 'fit' within the activities of the Group, in particular with regards their expansion and integration in mainland Europe. In the case of LTSB, the EWC also started as a 'symbolic' forum, and in this case it continues to be so. A combination of structural and agency-related factors have blocked development towards an 'active' EWC. Within Europe, LTSB is predominantly a UK-centric group, and the emergence of the EWC coincided with a period of substantial expansion within the UK. Moreover, a fragmented employee side both within the UK and internationally, together with lack of coordination across borders, have resulted in weak cohesion and organisation to establish any kind of systematic communication and cooperation.

Table 9.2 shows the nature of the EWCs in HSBC and LTSB according to the four dimensions or 'fields of interaction' established by Lecher et al. (1999:47). A significant difference between the two EWCs is the stronger and more cohesive employee and trade union input at HSBC. Here the initial dominance of the home country employee side has been met by more experienced foreign delegations (particularly French and German) in terms of statutory systems of employee representation. Although the nature of this relationship is still being defined, the foreign delegations are recognised by the home country representatives and union as legitimate and valuable counterparts, and there is a readiness to contribute towards the development of mutual support. At LTSB, however, the initial development of the EWC was set back by the absence of the foreign employee delegation (which initially consisted of Spanish delegates only). This was due to a combination of expectations among the potential Spanish delegation for the inclusion of negotiating rights, and existing rivalries between the two main Spanish unions. Thus the EWC meetings were predominantly UK centric, a replica of national domestic arrangements. Moreover, the replication of national arrangements has accentuated the existing divide between the

two main UK trade unions present in the EWC to the extent that the company trade union, which is the largest, has threatened to withdraw their participation in the EWC.

Table 9.2: Fields of Interaction at HSBC's and LTSB's EWCs

Fields of Interaction	Dimension	Indicator	HSBC	Lloyds TSB
EWC and Management	Scope to operate	Money	Budget allocated by management	Budget allocated by management
		Time	2 EWCs meetings a year + employee only pre-meeting Joint management/employee steering committee from 2002 Previously employee designated representative (UK)	1 EWC meeting + employee only pre-meeting Joint management/employee review committee since 2000 (UK only until 2002) Management only steering committee
		Control of meetings	Joint; frequent contact	Management led; sporadic contact
	Participation	Information/ Consultation/ Negotiation	Deficient information exchange; problems with timing, and relevance of issues	Deficient information exchange; problems with time, confidentiality issues, and timely distribution of the agenda
Internal EWC	Capacity	Duration EWC	1 Full day	1 Half Day
		Structures	Increasing structures for agreeing and coordinating interests. Re-negotiating committee included foreign representatives. Joint steering committee introduced following re-negotiation of agreement.	Limited development of structures. No communication with foreign representatives (Spain) and between the two main UK unions.
		Actors	Initially led by employee designated representative (UK origin). Employee only steering committee currently operates with involvement from foreign representatives (more experienced in employee information and consultation structures).	Joint review committee formed by UK delegates and management. EWC suffers from lack of unity, both a domestic level and internationally. A positive sign is however extension of full rights to a number of foreign reps whose countries do not fall under the threshold of the Directive.
	Structure	Parent-company dominance	26 members (10 UK, 5Fr, 2De, 2Gr, 1Be, 1Lux, 1It, 1Sp). Heading towards equality	19 members (14 UK, 1Sp, 1Fr, 1NI, 1Be, 1Lux) UK dominance
		Language	Translation facilities provided	Translation facilities provided
		Inter trade union competition	Divided French side (four different trade unions). This can potentially hinder developments.	Divided UK side (the two main unions), and divided Spanish side (political differences)
EWCs and National Employee Representation Structures	Resource transfer from national to European level	Infrastructure	Close links between actors at national level and EWC delegates (often the same).	Close links between actors at national level and EWC delegates (often the same)
		Information	Good information supply via national representation structures	Good information supply via national representation structures
	Resource transfers from European to national level	Infrastructure	Close links between actors at national level and EWC delegates (often the same)	Close links between actors at national level and EWC delegates (often the same).
		Information	Deficient information at European level, but increasing filtering of centrally held (in UK) information to foreign delegates (eg. on global processing strategy)	Deficient information at European level
		European 'added value'	Early signs	No
EWC and Trade Unions	Formal integration	Full membership, guest status	Full membership	Partial (only one of the two main UK unions, and the Spanish unions)
	Specialist and policy support	Organisational assistance, training, advice, political focus	Strong support	Partial support (only by one of the two main UK unions, and the Spanish unions)

Source: Compiled from own data from the case company studies.

Regarding the relationship between the EWC and trade unions, the implication is that trade union support for LTSB's EWC is only partial, with no support from the company union, whose priority is domestic representation. Likewise, the links between national employee representation structures and the EWC are blocked with regards to the company union, although these remain strong with the remaining unions, whose members are often both EWC delegates and representatives at the national forums. Nonetheless, the lack of relevant information obtained at the EWC has meant poor information exchange with national representation structures.

Regarding the EWC-management relationship, both HSBC and LTSB began with management adopting a rather minimalist approach, signing up to an EWC mainly to comply with legislation. However, HSBC has subsequently departed from that initial position, and although the scope for participation given to the EWC remains somewhat limited, current management demonstrates a more pro-active approach, viewing the EWC as a potential tool to fit within the increasing size and integration of their operations in continental Europe. This is shown, for example, not just by the larger allocation of resources (including financial resources), but also by the systematic involvement of foreign (in particular, French) management in the EWC.

The potential influence and role of an EWC can be assessed by conducting an examination of its impact or effectiveness in number of areas of the company at different levels. This is the aim of the next Section.

9.3 ASSESSING THE IMPACT OF THE EWCs AT HSBC AND LTSB

9.3.1 *Impact on Management Decision-making*

In order to assess the impact of the EWCs on management decision-making, Marginson et al. (2004) distinguish between impact on process and impact on outcome. Impact on the process of management decision-making refers to increased upward or downward management communication, and signalling of transnational issues between different levels of management. Impact on the outcome of a transnational decision potentially extends to changes in the implementation of a decision or the way in which the decision is framed as result of EWC intervention. In neither HSBC nor LTSB was there any evidence of the EWC having an impact on the outcome of management decision-making. However impact on the process was evident in both companies.

In HSBC, management from different subsidiaries (particularly from the French subsidiary, CCF) attend the EWC. They attend not specifically to give presentations, but as executive management members. This is seen as a way in which the EWC stimulates greater cross-border management cohesion (Lamers, 1998; Lecher et al., 2001; Marginson et. al., 2004). Moreover, meetings between management from different departments and businesses across Europe are starting to take place in relation to the activities of the EWC. An IR manager from HQ stated that: **“we have attempted to facilitate the meeting of seven units (business) that have never spoken to each other, and now meet regularly, including management coming to talk to one company and vice versa, and between representatives, and representatives and management, and are now starting an interaction within Luxembourg for example which has never occurred before. Indeed from an HR point of view, the biggest interaction between HSBC plc Bank and HSBC Group would be the EWC”**.¹²⁶

¹²⁶ Interview with IR manager, HSBC (June, 2001)

The EWC in HSBC has also provided a means to increase management awareness of decision-making in the different subsidiaries around issues such as training or the dissemination of EWC-related information, following employee representatives' comparisons and questions at the EWC meeting. In relation to this, lines of communication have been stimulated between the Group general manager for HR and country CEOs. At the 2001 EWC-meeting, for example, the Group's general manager for HR assured delegates that he would get in touch with the CEO of HSBC Spain in order to find out his position on training. Similarly, he mentioned that he had reminded CEOs of the need to ensure wide distribution of the internal Group magazine in which the EWC is publicised.

In LTSB, signs of the impact of the EWC on processes of management decision-making are more limited. To date the EWC has centred on management communication regarding general issues about Group results, the Group's position on mergers and acquisitions, and likely future movements of LTSB within the industry. In the 2002 EWC-meeting, however, the Group's position on the role of the 'University for LTSB' within Europe was included in the EWC agenda, suggesting the emergence of communication around more 'tangible' cross-border issues. Despite the Group's lack of management and business integration in Europe, the EWC has raised management awareness on the need for increased coordination in internal management communication. In the words of IR Group management, **"the EWC has meant that if there is something happening in any of the other European locations, the local HR manager would think ... 'Ahh! ... is there an issue here maybe that I need to tell Group HR?' So the process of decision-making starts to create that sort of perspective"**¹²⁷. Indeed, the greater demand for communication posed by the EWC may be forcing management to re-think internal communication channels for information

and European company-level (Wills, 1998), something that is also reflected in the emergence of an internal management steering committee for the purposes of the EWC. This committee is formed by the HR business partner for the 'International' division, the head of Group IR, and the head of Group strategic planning, and it meets regularly previous to the annual EWC-meeting itself. This is a clear example where a centralised information requirement may create pressures for centralisation within the company, even if economic needs or corporate culture demand devolution to local decision makers (Streeck and Vitols, 1995).

9.3.2 Impact on National Company Level IR

The establishment of European-level structures for employee representation might have consequences for company IR at lower levels, derived for example from the establishment of new coordination mechanisms as supporting structures for the EWC. As seen in Chapter 3, the study of the 'downward' influence (Hoffmann et al., 2001) of EWCs on IR at lower levels can be divided into direct effects relating to structural changes, such as the emergence of new structures for coordination and information, and indirect effects relating to the emergence of new attitudes and approaches.

9.3.2.1 Direct Effects: New Structures for Information and Coordination

In countries with no statutory system of employee representation at company level, such as the UK, it has been argued that EWCs can be a vehicle for the creation or strengthening of group-level employee representation structures (Hall, 1992; Marginson, 1998). However, in both HSBC and LTSB, group-level employee representation structures at domestic level existed prior to the creation of the EWC. Nevertheless, in HSBC the EWC has brought together under a single forum managerial and non-managerial employees, who domestically are kept under separate consultation

¹²⁷ Interview with Group IR manager, LTSB (December 2002)

arrangements. Furthermore, the EWC has extended representation, through seats on the EWC, to parts of the Group where no previous form of collective representation existed. Contrary to Wills' (1998) suggestion that EWCs might be seen as a threat to single-union channels of representation because of the direct involvement of non-union representatives, Unifi perceives this as an opportunity to expand union influence across the Group. A union official in HSBC maintained: **“when they (employees) have to elect EWC’s members, they suddenly start to become exposed to the whole idea of employee representation, and from the union point of view this gives us an opportunity to start to identify people who may wish to become involved in the union or help us to extend the union’s influence”**¹²⁸. Consequences of EWC activity for local IR in the home country appear limited in HSBC, however. There is consensus among the employee side that awareness of the EWC by the workforce in general is low, caused perhaps by the lack of ‘tangible’ (directly affecting the workforce) results achieved by the EWC to date. In the words of a Unifi official at HSBC, **“if by using the EWC we could get the Bank to agree to a consistent approach based in best practice, and that improves what it is already there for our members, then we would see that as a major victory and that will instantly raise the profile of the EWC”**¹²⁹.

In LTSB the picture is more complicated. As in HSBC, structures for representation at national level existed prior to the EWC, but their remit did not cover some non-traditional banking and non-unionised business recently annexed to LTSB Group. The non-unionised EWC delegates belong to these businesses, and their integration within the EWC’s employee side is hindered because of cultural (corporate culture) and professional differences. A non-unionised EWC delegate maintained that he saw no

¹²⁸ Interview with trade union official, Unifi, HSBC (May 2001)

¹²⁹ Interview with trade union official, Unifi, HSBC (May 2001)

benefit from the EWC for his constituency since **“the main strategy in the EWC is focused on retail and commercial banking and does not really apply to us. I indeed find difficult to relate to union representatives because their experience relates to mainly bank (branch) employees which is quite removed from our area”**¹³⁰.

Furthermore, the EWC in LTSB has not been effective as a catalyst to improve the relationship between the two main UK unions within the Group (LTU and Unifi). In the words of management interviewed, **“they refuse to sit together both in the EWC meeting and at dinner; they just don’t talk to each other”**¹³¹. An employee representative from Unifi ratified this: **“at one of the EWC-meetings, we took the union side out to try to resolve something and they (LTU) did not come in the room with us, even if other unions from abroad were there”**¹³². From the start, LTU has been less interested in the EWC, and has chosen not to have a seat in the joint management-employee committee that sets the agenda. A Unifi EWC delegate noted: **“if LTU wishes to include something in the agenda, they would phone Bank management rather than Unifi”**¹³³.

Lack of cohesion amongst the employee side is also evident at international level in LTSB. In the first two years of the EWC’s existence, the Spanish members (the only foreign representation at the time) were absent. In the words of a Unifi official: **“we (Unifi) have no contact with our Spanish colleagues, who appear to have their own problems that they want to keep to themselves”**¹³⁴. The absence of the Spanish representatives was justified by Bank management as a result of existing domestic rivalries between the Spanish unions at LTSB, and as a result of their dissatisfaction

¹³⁰ Interview with employee representative, LTSB (June 2001)

¹³¹ Interview with HR Business Partner-International, LTSB (September, 2002)

¹³² Interview with EWC member and employee representative, Unifi- LTSB (September 2002)

¹³³ Interview with EWC member and employee representative, Unifi- LTSB (June 2001)

with the legal scope of the EWC: **“if they (Spanish EWC delegates) do not really come because the EWC is not set up according to Spanish legislation, well...they are never going to come unless legislation changes. One of the problems is that they want it to be for negotiation and that’s not going to happen unless the law changes”**¹³⁵. The absence of the Spanish delegates resulted in a UK only attendance of the first two EWC-meetings, which, in the words of a Unifi official, were **“just a rehearsal of the national joint negotiation committee”**¹³⁶. As a result, the impact of EWC activity at lower IR company level is hardly noticeable. General employee awareness of the existence of the EWC is very low because of the lack of relevant issues and activity of the EWC. As an employee representative involved in the early days of the EWC stressed: **“my manager came to me with the EWC communication and said, ‘I do not think anybody would be interested in this, only you’. I guess it is like most things, you are not going to read about a committee until something happens that makes you do so”**¹³⁷.

9.3.2.2 Indirect Effects: Access to New Information

Structural changes in IR might also derive from the nature and extent of information made available within the firm (Lecher et al. 1999). Hall (1992), for example, notes that improved access to new information might lead to changes in union strategies derived from more frequent contacts with foreign representatives.

In HSBC, there is a clearer case of changes in the nature and extent of information emerging from EWC activity, in particular since the change in management approach to the EWC (which coincided with the acquisition of CCF). Although the issues of cross-

¹³⁴ Interview with trade union official, Unifi-LTSB (May 2001)

¹³⁵ Interview with HR manager, LSTB (September, 2002)

¹³⁶ Interview with trade union official, Unifi-LTSB (May 2001)

¹³⁷ Interview with EWC member, Unifi-LTSB (June, 2001)

border comparison and harmonisation appear to still be remote for employees and EWC members, the EWC agenda and climate has taken promising steps over recent years. Whilst initially the agenda was largely set by management and centred on the mere conveyance of business information such as group results, management's more active and participative approach has meant that employee input has played a larger role over recent years. As a result, and despite the existing structural problems mentioned earlier, the EWC has served to establish some European-level dialogue within the Group, and has increased awareness over issues such as group ethics, training strategy and global processing. For example, the experience of the UK employee side on global processing is likely to feed into the French unions' strategy at national/local level in the case of future implications for the French operations of the Group¹³⁸.

Although the union side acknowledges the limited effect of the EWC on the prospects for European-wide company bargaining, it sees the EWC as a way forward for maintaining pressure for consistency, particularly in areas of employment policy regulated by EU directives, such as maternity leave and working time. New flows of information have also led to the UK employee side to re-think and propose changes to their domestic procedure for seat allocation on the EWC, to become more in line with the French system whereby unions have guaranteed seats. With regards to foreign representatives, in countries with an adversarial IR tradition, such as Spain, where information to local works councils might be kept to the minimum legally required, the EWC can be a source for information which might be used in local bargaining processes. For example, it was through the EWC rather than through the local works

¹³⁸ In the April 2001 EWC meeting, following a discussion on the Group's strategy on global processing, the UK delegates expressed the positive experience of the UK in this field, despite initial trade union concerns over domestic job losses. This can potentially reassure French delegates in case of a future expansion of the global processing strategy to CCF.

council that the Spanish employee side obtained information on changes in the Group's management structures across Europe following the acquisition of CCF.

In LTSB, however, substantial improvements in terms of the information made available in the company as a result of the EWC have not been apparent. Despite the UK employee side (in particularly Unifi) recognising the potential of the EWC as a tool to communicate and compare information across borders, the absence of the Spanish delegates has limited potential outcomes in this area. Indeed, the overwhelming weight of the UK within the Group's European operations means that national consultative forums remain the centre of company IR. When asked about the balance between national consultative forums and the EWC in LTSB, Group management maintained: **“if an issue affects lots of countries of course we would call an EWC, but if it only affected two, we would first deal with the two countries concerned rather than calling an EWC”**¹³⁹. Generally, it can be said that the modest attempts by both management and union representatives to broaden the agenda of recent EWC meetings (2001-2002), to include more European-wide issues such as the ‘Lloyds-TSB University for Europe’, remain strongly limited by the lack of common cross-national issues.

9.3.3 Impact on Attitude Related Factors

In their comprehensive research on EWCs Lecher et al. (1999) highlight three dimensions of particular importance for the internal process of constitution and development; the communicative, the institutional and the socio-cultural dimensions. The first two have been discussed earlier in this Chapter, and this Sub-section explores the impact of EWCs on the pre-existing cultural, political and industrial relations traditions of the actors involved.

9.3.3.1 Attitude Changes amongst Management

Management interviewed in both HSBC and LTSB acknowledged that the legislative requirement was the major reason behind management agreeing to an EWC at the time of its establishment. Interviews with employees involved in the early stages of the EWCs also revealed considerable criticism of their initial functioning. In HSBC, however, a change towards increased management interest in and enthusiasm for the EWC is appreciable from 2000-2001. This coincides with two crucial developments. On the one hand, the beginning of an important restructuring process of the Group in Europe following the acquisition of CCF. Secondly, changes in the management team in charge of the EWC, with some of the new management believing in the legitimate and valuable role of unions and relations with unions within the firm, having previously been active employee and union representatives. In LTSB, although more 'cosmetic' in nature, there has also been some adjustment in management's approach to the EWC. This has coincided with the final stages of a complex process of company re-organization following a number of mergers and acquisitions at domestic level, which was considered a priority for company management. In both banks the EWC was reported to have played a role in fuelling central IR management involvement in European social policy developments in terms of, for example, EU legislation affecting companies within the EEA (e.g. directives on working time, parental leave or information and consultation at national company level). Furthermore, the IR managers at both banks, those currently directly in charge of the respective EWCs, are the only two British members of the European Banking Industry Federation, representing the BBA¹⁴⁰.

¹³⁹ Interview with IR manager-Group HR, LTSB (December, 2002)

¹⁴⁰ British Banking Association

In HSBC the shift in management interest is noticeable in a number of areas. There has been a marked increase in financial resources allocated to the EWC, as implied by an IR manager following the extension of the council from 11 to 23 employees: **“it is costing us a lot of money, so you might as well make it work”¹⁴¹**. Other areas of improvement relate to resources allocated to employee delegates in terms of time off to dedicate to EWC tasks, improved dissemination of EWC-related information across the firm, a more joint union-management approach to setting the EWC agenda, and perhaps most importantly a more genuine approach to consider the EWC a forum for effective consultation with employee representatives. Another change has been the more structured approach to management-union EWC-related meetings: **“previously, the designated representative would meet the head of HR on occasions, but they did not meet on a regular basis by agreement, in the sense of having a timetable to meet every one or two months”¹⁴²**. In addition, the re-negotiation of the EWC agreement in 2001, in which a team of British, French and German EWC employee delegates took part, resulted in the lowering of the threshold of a minimum of 150 employees for representation in the EWC to 50. This brought in three more countries, and the attendance as observers of those representatives from countries with agreed future membership to the EU a year before their accession.

The type and levels of management involved in the EWC are also reflective of attitudes. Marginson et al. (2004), for example, report that where only HR management leads the EWC, its impact on management decision-making tends to be less tangible. In this area there has been a significant advance in HSBC, with a progressive involvement of more senior and varied management. Whilst HR and IR management are those primary in charge of the EWC, general business managers also attend on an *ad hoc* basis. Very

¹⁴¹ Interview with IR Manager, HSBC plc (June 2001)

¹⁴² Interview with trade union official, Unifi-HSBC (May 2001)

significantly, the last two years have also seen the involvement of foreign management from CCF as executive members of the EWC. The attendance of the Group's Chairman to social events associated with the EWC was also perceived by both management and employees as intended to increase the EWC's profile within the Group.

To a lesser extent, partly due to the shorter life-span of the EWC and greater structural limitations in terms of the Group's presence in Europe, management attitudes in LTSB also seem to have departed from the initial minimalist approach: **"The forum started up with a very top down feel to it, very much like we (management) are here to tell you things, so it started up very much about giving information on general business performance"**¹⁴³. A key move towards a more effective functioning of the EWC, in particular given the recurring absence of the Spanish representatives, was the 2002 inclusion as full members of those employee representatives from European countries that do not reach the 150 workforce threshold set up in the EWCD. These included France, Belgium, Luxembourg and the Netherlands. Further steps include the proposal in 2003 for Switzerland, Monaco and Gibraltar to participate as observers and possibly become full members in 2004, and a concession on the management side that from 2003 there will be an employee-only pre-meeting to the EWC itself.

In examining changing management attitudes, while the approach of Group management is key for the development of an active role of the EWC, the approach of local/national foreign management must not be underestimated. National management, with their established traditions and culturally contextualised relations with local trade unions, can play an important role in promoting or blocking the attendance of local representatives. This was suggested by Group LTSB management as partly explaining the reasons behind the non-attendance of the Spanish representatives: **"I think their**

non-attendance suits the country manager, who I believe portrays to us that relations with the unions are more difficult than they really are, and I think he is not keen for the unions to come to a wider forum and show their position”¹⁴⁴. Controlling the flow of information was implied to be key for Spanish management in terms of exerting influence over local trade unions: **“any information that comes from London, like an issue of communication to all staff in Europe, when it arrives in Spain will be thrown away by management and is not always issued to local staff. If we send a letter to the union, management manages to intercept it somehow, so the unions don’t get it”**¹⁴⁵. It must also be noted that EWC-related documentation examined highlighted that none of the Spanish representatives speak English, the language used by Group central management to send information, which indeed is addressed to the unions c/o Spanish HR management. This facilitates a withholding or re-interpretation of information on the side of the Spanish management.

9.3.3.2 Attitude Changes on the Employee Side

As already established, a crucial differentiating factor regarding the domestic employee side of the EWC is the contrast between union division at LTSB and union cohesion at HSBC. HSBC’s employee side in the EWC is more homogeneous in the sense that the different representative’s constituencies are under the HSBC global brand, so there is a stronger sense of belonging to the Group. Equally, the union is strongly in favour of the EWC, and four of the five UK employee representatives at the EWC are union representatives. In LTSB, however, several mergers and acquisitions in recent years have brought together a number of unions which have only been recently included in the EWC. While their inclusion certainly helps them to increase their feeling of integration within the Group, a potential limitation is the focus of the EWC agenda and

¹⁴³ Interview with HR Business Partner , LTSB (September 2002)

¹⁴⁴ Interview with HR Business Partner (September 2002)

activities in traditional banking areas, due to the experience of the main EWC actors. Indeed, when asked about the motivation for participation in the EWC, a non-unionised delegate of a non-traditional banking firm within the Group noted: **“more than anything it is personal interest, because you get an insight into business strategy and other issues that you do not normally get; but for the people I represent there is no benefit at all, because they are not really bank employees so they are not interested”**¹⁴⁶.

At UK domestic level, another potential limitation is that the EWC has not alleviated existing differences between the two main UK unions within the Group. In contrast with Unifi which has been a strong supporter of the EWC from its start, LTU’s initial expectations of the EWC were low and have been confirmed three years into its existence. As a LTU’s official expressed: **“we very strongly value our independence and do not do anything that compromises it; equally we have no time for other unions within the Bank, there is no joint work whatsoever, because in our view they are in a quite weak position and often compromise their independence. This often colours the way we do things and in our view the EWC, for example, has been largely a waste of time”**¹⁴⁷. Among the reasons behind LTU’s pessimistic view of the EWC are structure and strategy related factors to do with the Bank’s presence in Europe. The same official claimed: **“there is no pan-European dimension to what this Bank does which might be unusual, very little view of where it is going in Europe, and no real presence in Europe other than to a degree in Spain, and our members do not get any benefit from it”**. A further reason was LTU’s UK centric approach, as also expressed in the views the mentioned official: **“we insisted that at the EWC we must not find out anything new about the UK because we have**

¹⁴⁵ Interview with HR Business Partner (September 2002)

¹⁴⁶ Interview with employee representative- EWC member –LSTB (June 2001)

domestic arrangements to deal with that, so therefore we do not want things left to be told in the EWC that we ought to know anyway. Most of all, we wouldn't like the Spanish representatives at the EWC making any impact on anything that affects our members here in the UK, and the opposite"¹⁴⁸. In line with the above approach, LTU was considering the withdrawal of their five seats from the EWC. This information had not been made public at the time of writing, however, and Group management were involved in negotiations in an attempt to persuade LTU to maintain their EWC presence. Indeed, concern was expressed: **"I think it is symptomatic of the typical UK voluntarism, rather than talking about legislation anyway. But they (LTU) represent a lot of people, and we have a statutory responsibility to consult, so if they are not there, how do we do that?"**¹⁴⁹.

At domestic level, therefore, it can be argued that the stronger, more united and pro-EWC approach of the employee side in HSBC has implied a greater effect of the EWC on the organisation and cohesiveness of the employee side than is the case in LTSB. It must be pointed out, however, that this has also been facilitated by the change in management approach in HSBC, and also the structural characteristics of the Group in Europe and higher extent of European-level management activity.

At international level, in neither HSBC or LTSB has the EWC dealt with issues affecting employees in which agreement among employee delegates needed to be reached, and it is therefore difficult to assess the extent to which the EWC has exerted a strong influence on the attitude of the employee representatives themselves. The more extensive interaction of the HSBC's EWC and its delegates demonstrate more visible signs of collaboration or 'social-cohesion' among the different employee country

¹⁴⁷ Interview with trade union official, LTSB (January 2003)

¹⁴⁸ Interview with trade union official, LTU, LTSB (December, 2002)

nationals. Nevertheless, issues related to the 'trust' embraced in the union–management relations associated with different national IR traditions were reported to still remain in both LTSB and HSBC. In HSBC, for example, the French delegates remained to an extent suspicious of the UK delegates as a result of their traditional association between single, 'sweet heart' unionism and compromising the union's independence to management. In LTSB, distrust was reported to have played a part on the non-attendance of the Spanish unions, who distrusted management invitations to a committee concerned with the information and consultation of employees.

9.4 EXPLAINING VARIATION ACROSS CASES AND OVER TIME

It is clear from the above analysis that the impact of the EWCs on various dimensions is greater in HSBC, where it has developed a limited but nonetheless more significant presence. It is therefore in a position at this time to play a more active role, and has developed the potential to add greater value to the Group than is the case in LTSB. A number of factors, both actor-centred (Lecher et al., 1999, 2001; Marginson et al., 2004) and structure-related (Marginson et al. 2004), help to explain the variation found across the two case companies, and over time within each case.

As already established, the impact on decision-making at company level as a result of EWC intervention in these two case companies is tangible only with regards to process, and to a larger extent in HBSC than in LTSB. Marginson et al. (2004) argue that the nature of the company's business operations or 'business alignment' is a key factor shaping the impact of EWCs. With reference to Table 9.3, the 'business alignment' of EWCs is closer in companies whose operations concentrate on a single business, are spread across countries, and where production is integrated across borders (*Ibid.*, 2004).

¹⁴⁹ Interview with IR manager, Group HR (January 2003)

HSBC's activities in Europe are spread across a larger number of countries, most of which contain operations of larger size. Moreover, a larger base of retail banking operations exists in more than one country. In HSBC a stronger 'global' Group culture also exists, and there is a greater degree of coordination across borders, in particular in some of its commercial and wholesale business. Perhaps more importantly, although cross-border coordination is not fully developed in HSBC's European retail businesses, which remain fairly independently run, CCF is strongly emerging as a key coordinating agent for most activities in the 'Eurozone'. This is in turn reflected in the emergence of European level management activity. Indeed, despite cross-border integration of operations being at the level of individual business streams (mainly in commercial and wholesale banking), there are signals that a cross-border management structure at Group 'Eurozone'-level is expanding. Such an emerging structure closely 'fits' (with the exception of the UK, which is not included) the EWC's scope and structure. Moreover, while the UK operations are not yet part of the 'Eurozone' structure and activities of the Group (led by CCF), company management has not ruled out this possibility in the foreseeable future. Indeed, central management appears to be increasingly considering further European level activity involving its two main retail banking businesses in Europe (UK and France). Thus the HSBC case also conforms with Lamers's (1998) proposition that the existence of a European-level management structure at the level at which the EWC is established is likely to result in the EWC having a stronger impact on management decision-making. A further set of structural conditions likely to shape the impact relates to the existence of an IR 'platform' on which the EWC can build (Marginson, et al., 2004). In this regard, Group level national employee representation structures existed in HSBC prior to the EWC, with union officials and representatives familiar with employee representation systems.

The combination of these factors are associated with emerging changes in the operation of the EWC, and particularly in more visible signs of an impact on IR at lower national and local levels within the company. Examples of such signs are the establishment, following suggestions from the EWCs' employee side, of an Intranet communication system among the EWC members, both employee representatives and management, so that emails can be sent and received by all members. Similarly, the re-negotiation of the EWC-agreement has led to the creation of a joint management-union 'steering committee', which meets at least twice a year to deal with issues concerning EWC-meetings. Whilst previously the role of the 'steering committee' was undertaken by a single UK delegate, it now includes foreign representatives, and the committee itself has meant a more structured approach to union-management meetings.

In terms of actor-based factors, the stronger impact of the EWC at HSBC can be related to the existence of a cohesive employee side organisation at domestic level, represented mostly through a single union very much in favour of the EWC. Initial feelings of distrust between foreign delegations are slowly lessening given the readiness of the UK side to cooperate and use their advantageous position of proximity to central management in the interest of the EWC as a whole. It remains to be seen, however, whether existing differences (politically divided unions) within the French employee side, the other largest employee group, will effect the EWC in the long term.

Another key explanatory factor regarding the greater influence of the EWC in HSBC is management policy. A more proactive approach from central management exists, in particular from the time of the acquisition of CCF. There are two reasons behind this change of approach: structure-related changes within the Group and changes in the management team in charge of the EWC. Following the acquisition of CCF, the European workforce (excluding the UK) represents around 25% of the total group

workforce, which has caused central management to see the EWC as a more useful institution within the present structure, and therefore become more willing to invest in it and make it work. Equally significant are the changes that have recently taken place in the central IR/HR management team with leading responsibilities over the EWC. A few key members of the new management team have a union related background as well as experience of EWCs in other banking organisations, and have adopted a less adversarial and minimalist approach to management-union relations in general, including processes for national information and consultation within HSBC in the UK.

The increased capacity of the employee side on the one hand and a pro-active management policy on the other are resulting in a more joint approach to the management of the EWC, with ongoing contact between the two sides and more constructive interaction between management and the employee side.

In LTSB, however, the role of the EWC has barely developed since its creation, and continues to be 'symbolic' rather than active. The life span of the EWC is one factor that helps to explain its inactivity. LTSB's EWC had met only three times at the time of this study, with only one annual meeting since its creation in 1999 and little activity between the stipulated meetings. Marginson et al.'s (2004) framework suggests underlying reasons for the lack of a more 'tangible' impact of the EWC. Crucially, the lack of issues transcending national borders are a consequence of structure-related factors to do with the strategy and management structure of the Group.

In LSTB, the majority of the Group's operations and workforce in Europe are in the UK, where the Group's largest business is concentrated (see Table 9.3). In addition, the nature of activities differs across the EEA, and there is little or no cross-border business integration. Whereas the UK business is strongly concentrated in retail banking, France operates a private banking business, Belgium and the Netherlands a largely corporate

banking business, and Spain is mainly focused on private banking with some corporate banking activities. In consequence, the ‘business alignment’ with the EWC is low in LSTB. The limited ‘business alignment’ is accompanied by a rather ‘multi-domestic’ (Porter, 1986) corporate culture and a fragmented international management structure; there is hence no European level management structure to ‘fit’ the EWC’s activity (Lamers, 1998). Correspondingly, employment and employee related issues remain fairly separate, with little scope for commonly relevant topics to discuss. Indeed, the LTSB case supports Hoffmann et al.’s (2001) research on the operation of EWCs in manufacturing companies; few or no consequences for national and local IR and management decision-making might be expected due to the lack of ‘fit’ between the EWC and the Group’s management structure within Europe.

Table 9.3: EWC’s Profile in HSBC and LTSB

Company		HSBC	LTSB
EWC since		1996	1999
EWC meetings until 31/12/02		12	3
Business Alignment	Single/Multi-business	Multi-business	Multi-business
	Spread of operations across borders	Large	Limited
	Extent of cross-border integration	Emerging	Inexistent
Business& Management Structures	Business/divisional coverage of EWC	Multiple	Multiple
	Influential level of European management	Partial	No
IR Platform (Nat. Level)		Yes	Yes
Organisation of the Employee Side	Number of countries covered by the EWC	8	6
	European country with most employees (Approx. in %)	UK (75%) France (18%)	UK (90%)
	Composition of Select Committee (Chair)	UK, France, Germany	Joint management-employee (UK only)*
Management Policy		Proactive	Minimalist
Trade Union Policy		Proactive	Divided (divergent positions of the two main UK unions)

* The main company UK union does not participate

Concerning the presence of an IR platform from which the EWC might build, employee representation at national level in the UK is divided within LTSB. This is not only because of the range and different nature of businesses, but especially because of differences between the main two unions within the Group. This last division in

particular has influenced the activity of the EWC. Whereas the second largest union within the company strongly supports the EWC, the largest union in terms of employees does not advocate the benefits of an EWC within the LTSB Group. The lack of interaction and cooperation between the two main unions at national company level has also been transferred to the EWC during its first three years of existence, before the potential withdrawal from participation in the forum of the largest union. The lack of cohesiveness on the employee side was reinforced by the absence of the only foreign EWC delegation with participating rights in the EWC during its first two years (two EWC-meetings). As a result, the meetings have had a very strong UK focus and agenda, almost as a rehearsal of existing domestic IR arrangements. The joint management-employee steering or 'review' committee is mainly an 'agenda committee' (Lamers, 1998), with little ongoing role between EWC meetings in terms of contact between members or with management. Although formally joint, the agenda is largely management led, and there were complaints on the employee side regarding the short time given to them to contribute to the agenda. It is also significant that the largest union has not (of its own choice) participated in the review committee, considerably relying on management for any EWC-related communication. The explicit anti-EWC stance of the largest UK trade union highlights the importance of trade union policy towards the development of an active role of EWCs.

Bringing other considerations of agency into account, LTSB management policy on the EWC can be characterised as minimalist for most of its short existence. Two reasons help to explain this approach. First, the above mentioned considerations of Group structure and strategy do not help in placing the EWC as a priority for management. Secondly, during the second half of the 1990s, and until very recently, the Group has been immersed in a lengthy and complex process of integration of its UK businesses, following a series of mergers and acquisitions of both traditional and non-traditional

banking businesses. In consequence, most IR/HR activity has been connected to the integration of terms and conditions of the Group's staff at domestic UK level.

As a result, the interaction between management and the employee side tends to be sporadic, and, although it can not be termed adversarial, there is discontent on the employee side regarding management approach to the EWC and its operation in general. More specifically, the employee side had reservations about the nature, extent, and timing of information provided at the EWC meetings, and the lack of transnational issues discussed. Despite the present situation, there are signs that might improve the functioning of the EWC in the near future. Management concessions have occurred in a number of areas, including the enlarging of the employee side of the EWC by allowing participation of other countries, and the celebration of an employee-only pre-meeting previous to the EWC itself. Nevertheless, it remains to be seen if the problems regarding the lack of transnational integration within the Group structure and strategy, as well as the internal divisions of the employee side, allow a more effective functioning.

9.5 CONCLUSION

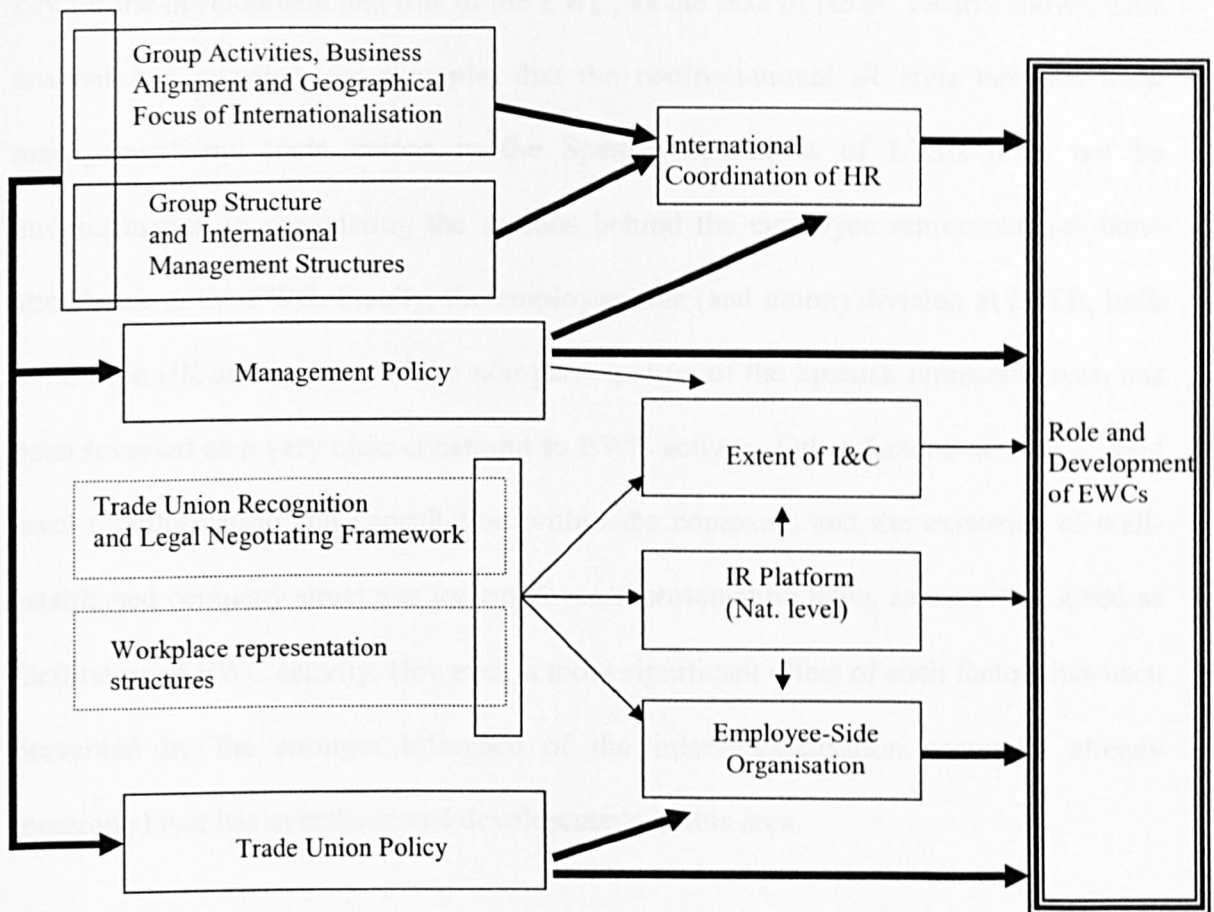
In previous Sections the factors that have influenced the operation and development of the EWCs in the two UK banks have been discussed. Whilst the analytical framework developed in Chapter 3 (Fig. 3.2) has helped to guide the discussion, the analysis of the fieldwork data has enabled a more sophisticated definition of the elements that have intervened in shaping the operation and role of the EWCs in these two banking organisations. Figure 9.1 depicts the way in which the initial analytical framework has been refined as a result of this research, where thicker lines represent a greater relative

importance attached to specific factors identified in shaping the functioning of the two EWCs.

As suggested by Lecher et al. (1999), the orientation of the corporate international activities is key for the development of EWCs. The case of HSBC shows that the significant business expansion in Europe has led to marked changes in both management policy (increased interest due to perceived potential 'added value' of the EWC for the firm) and trade union policy (stronger employee organisation following the expansion of the more experienced French side). This has in turn resulted in a more meaningful operation of the EWC, and transformation being 'symbolic' to 'active'. On the contrary, the EWC's operation at LTSB has been systematically limited by the strong UK orientation of the Group, which largely influences the approach of both central management and a considerable portion of the domestic employee representatives. Only the prospects of upcoming expansion in Europe were mentioned by Group management as the main motive for their increasing interest in the EWC once domestic restructuring was in its later stages.

A related key influential factor is the existence of an integrated management structure at European level, partly in response to emerging attempts at business integration across borders, in particular within the various business streams. Steps towards further integration of HSBC's European operations have resulted in increased European level management activity (including initial signs of a European level management structure), and the EWC is starting to be seen by management as a potential vehicle facilitating such integration. Nevertheless, as highlighted by Marginson et al. (2004), the existence of multi-divisional business embraced by a Group EWC still poses a problem for integration and meaningful consultation in the EWC, given the diversity of issues concerning the different businesses.

Figure 9.1: Explaining the Role and Development of EWCs in Banking: Two UK Firms



A related key influential factor is the existence of an integrated management structure at European level, partly in response to emerging attempts at business integration across borders, in particular within the various business streams. Steps towards further integration of HSBC's European operations have resulted in increased European level management activity (including initial signs of a European level management structure), and the EWC is starting to be seen by management as a potential vehicle facilitating such integration. Nevertheless, as highlighted by Marginson et al. (2004), the existence of multi-divisional business embraced by a Group EWC still poses a problem for integration and meaningful consultation in the EWC, given the diversity of issues concerning the different businesses.

Regarding considerations of agency, the attitude of individual management emerged as key for the development and role of the EWC, as the case of HSBC clearly shows. This analysis has revealed, for example, that the confrontational IR style between local management and trade unions in the Spanish operations of LSTB must not be underestimated in considering the reasons behind the employee representatives non-attendance to the EWC. Finally, the employee side (and union) division at LSTB, both within the UK and in terms of the non-participation of the Spanish representatives, has been revealed as a very clear constraint to EWC activity. Other factors, such as a good level of information and consultation within the company, and the existence of well-established company structures for employee representation have, as expected, acted as facilitators of EWC activity. However, a more significant effect of such factors has been prevented by the stronger influence of the internationalisation argument already mentioned that has overshadowed developments in this area.

Chapter 10

CONCLUSIONS

10.1 INTRODUCTION

This final Chapter brings together the results of the comparative case study findings and analysis, in order to assess how this investigation has contributed to the understanding of issues surrounding the existence and operation of EWCs in banking organisations. The next Section will review and discuss the main findings of the research. Some implications of these findings then follow, and I also offer some suggestions for further research in order to maximise the benefit of the research methods and findings of this project.

10.2 THE MAIN FINDINGS

Several main findings can be drawn from this investigation. Firstly, the key forces imparting an influence on the existence/non-existence and role of EWCs have been identified. A framework has been developed as a result, which provides an integrated analysis of the operation of these forces, an exercise that has enhanced understanding of the relationships and dynamics inherent within them. Secondly, the process of the comparative analysis of the four case studies has led to the refinement of the original framework, facilitating a better understanding of the mentioned relationships and dynamics in banking organisations. Within this context, the key role of the strategic internationalisation of the firm, and especially the geographical location and importance

(in terms of workforce, business volume etc.) of its international operations, the internationalisation of its management structures, and its cross-border HR coordination have been identified as central in explaining the existence/non-existence of EWCs. Thirdly, by focusing on the banking sector, this research has revealed that this sector presents specific features which, in terms of the implications for the formation and operation of EWCs, diverge from those in other sectors more extensively examined by previous research (e.g. manufacturing). From a methodological point of view, the suitability of qualitative research based on comparative case study research has also been confirmed. This methodology has facilitated an in-depth understanding of the dynamics surrounding EWC's existence and operation, which has allowed an exploration of the factors, and their interaction, determining the establishment and operation of EWCs. Furthermore, it has enabled an incorporation of multiple perspectives, including various levels and actors within the organisation to obtain a more comprehensive picture of the phenomenon under study. A more detailed examination and analysis of these main findings proceeds.

10.2.1 Key Forces and Analytical Framework

A key aim of the research has been to identify the different forces shaping decision-making around, first, the establishment, and, second, the operation of EWCs. A related aim has been to explore the interaction of these variables with the assumption that while the combination of some of them may trigger the establishment of a transnational body of employee information and consultation, others might run counter to it. Whereas the analytical framework suggested a set of complex and multiple forces, the empirical part of this research has provided evidence from international banks on which factors are more important to the establishment of EWCs on the one hand, and to their role and operation on the other. Indeed, this investigation has shown that the interaction and

dynamics involving these forces differ when considering their influence on the establishment of EWCs and on the role of EWCs once established. In contrast to existing studies in the area, the study of EWC's establishment was explicitly separated from the study of their operation, since only then is it possible to obtain a better understanding of the factors influencing each aspect or both. In particular, on the issue of establishment the research has accounted for the non-establishment of EWCs in two of the largest MNCs based in Spain.

In examining the existence of EWCs in the four case study firms, it has been found that a number of factors have played a key role. The extent and spread of internationalisation in European countries is a significant factor. However, alongside dispersed international presence, an equally significant factor is the extent to which such internationalisation strategies are mirrored in international business and management structures, preferably at European level, as well as in the existence of cross-border coordination in the HR arena. These factors have proved particularly relevant in shaping management and, even as significantly, trade union policy on the establishment of a potential EWC in the two Spanish case study banks. Indeed, it has been argued that the advantages of stronger legal representation rights and well-established company-level structures of representation in Spanish the banks can be countered by considerations of this nature. Regarding the establishment of an EWC in the two UK banks, the influence of such factors was mediated by a willingness on the employee-side to obtain stronger representation rights through the EWCD alongside management willingness to arrive at a voluntary EWC-based agreement. Nonetheless, in the case of HSBC, its larger presence and integration (even if still weak at the time) of its businesses in Europe facilitated the establishment of an EWC at a much earlier time.

In examining the role and operation of the EWCs in the two UK banks, this study has confirmed Lecher et al.'s (1999) findings that the extent and spread of internationalisation, in Europe particularly, are influential factors. As with their establishment however, a very influential factor is the existence of a European or international management structure at a relevant level, and the extent to which integration of HR policy and practice are pursued within each business stream. As noted by Marginson et al. (2004), the existence of multi-divisional businesses covered by a single group-wide EWC poses a problem for meaningful consultation at the EWC. Indeed, this study has shown that a lack of integration within business streams across different countries also hinders development towards an 'active' and meaningful EWC. This is because management policy is more likely to dedicate resources to the EWC when it underpins the strategic direction of the firm, in terms, for example, of moving towards an international coordination of HR policy and practice or wider corporate objectives. Moreover, this investigation has shown that a mismatch between the operation of the EWC and corporate objectives regarding, for instance, business and HR integration across Europe, can also shape the employee-side approach to the EWC. This is the case, for example, of one of the UK trade unions in LTSB, which given the predominantly UK-centric character of the Group has manifested no interest in participating in future activities of the EWC. A related factor, which has been revealed as a dominant influence, is the effect of a strong or weak cohesion among the employee side that, as seen in Chapter 9, differentiates HSBC from the LTSB case.

This research also contributes in that the analytical framework developed, and therefore the explanation, embraces considerations of both structure and agency, and the way in which they interact, something which, with the exception of Hall et al. (2003) and Marginson et al. (2004), has not been explicitly addressed in previous research.

Furthermore, this research presents a comparative case study analysis on the bases of in-depth research of both management and trade union / employee representatives, something which earlier research (Lecher et al.,1999; Lecher et al.,2001; Lecher et al., 2002) has not paid detailed attention to, but which the common research project of Hall et al.(2003) and Marginson et al.(2004) can claim to have done in terms of comparative case studies.

10.2.2 The Importance of the Firm's Internationalisation Strategy

A second key set of findings of this research, already touched upon, relate to the implications of the nature and extent of the firm's internationalisation strategy for the decision to establish an EWC. This research has found that the nature of group activities and organisational and management structures, which together shape the extent to which there is cross-border coordination of HR policy and practice, are crucial factors which influence not only management policy towards EWCs but also trade union policy, an often neglected aspect of the literature.

Spatial diversification and business expansion overseas has been a major development among banking organisations over the last decade, following the relaxation of banking regulations and the internationalisation of financial markets. Given the transnational nature of EWCs, the degree and nature of spatial diversification becomes crucial in decision-making concerning their establishment. As the Spanish cases have shown, the geographical orientation of the firm's international expansion must be considered alongside factors such as the degree of internationalisation, diversification of the firm's business portfolio and the integration of the international operations. These factors impact on both management and, as significantly, trade union policy towards EWCs. In cases of a management minimalist approach towards EWCs, a pro-active employee or

trade union side seeking the establishment of an EWC is crucial for its existence. However, questions regarding the lack of presence in European countries or concentration of the bank's operations in other regions of the world and the lack of integration among foreign operations, can result in lack of interest from the union side.

The findings of this thesis offer partial support to Streeck's (1997) argument, according to which workforces from countries with well-established national representation rights and structures at company level might have little interest in requesting an EWC in their effort to maintain privileged access to central management or national representation rights. Evidence from this research has shown that interest from the employee side in forging links with foreign counterparts can also vary depending on the geographical situation of those foreign employees or trade unions. As seen in BBVA and BSCH, whilst the establishment of an EWC appears of little interest to union officials, interest in forging links and a similar forum with Latin American trade unions is considerably greater given the significant presence of the two banks in that continent, and possibly also the cultural proximity of the employees. This in turn supports one of the main findings of this thesis, relating to the crucial importance of the geographical orientation of the banks' internationalisation, alignment in the type of business conducted in the different countries, and potential for integration of such businesses.

With regards the operation of EWCs, evidence at HSBC suggests that when Streeck 's (1997) suggested characteristics of strong national representation rights and well-established representation structures at company level are partially met there remains a strong incentive for unions to engage in both the establishment and operation of an EWC. In HSBC for instance, whilst there are national level representation structures in their UK retail operations, the trade union-side was keen to further the relationship with

European trade unions, and especially those present in the bank's French subsidiary, because of their greater experience in national representation rights.

The case of LTSB is closely aligned with previous literature in that a cohesive employee organisation is key to the EWC's role (Fulton, 1995; Lamers, 1998; Lecher et al. 1999). A divided workforce at domestic level can be seen as one main reason behind the inability of the EWC to overcome a 'symbolic' status, a situation which is reinforced by the lack of cohesive employee organisation at international level too. An interesting question relates to the degree and nature of the interest in the EWC (lack of interest in fact) of the main UK trade union within the Group. Their largely UK-centric approach is reinforced by a view of the EWC as a forum of little use in a predominantly UK-oriented group with little European presence and cross-border coordination. It is clear, therefore, that the argument around the key role of geographical orientation of internationalisation and business alignment also becomes relevant here.

10.2.3 The Importance of the Firm's Sector and 'Sub-sector'

A 'firm in sector' approach has been crucial for the understanding of the establishment and operation of EWCs in a specific sector setting. Despite differences derived from the different institutional settings of the UK and Spain, the study of the transformation of the banking industry in the two countries in Chapter 2 has shown a certain degree of international isomorphism with a considerable number of common elements. Whereas the existence of common elements in work organisation issues across national borders and within the international operations of banks with operations in a number of foreign locations suggests a promising future for EWCs, it is very much the variation found within each individual bank that determines whether management and employee representatives engage in more meaningful information and consultation processes.

By concentrating on one particular sector the study has been able to explore its particular workings. For example, the UK banking sector is characterised by the relative strength of the unions as compared to other service sectors, and indeed the existence of systems of employee representation at company level, something not usual in some other productive sectors within the UK. Likewise, Spain's dual system of representation presents peculiarities within the context of the banking sector, with works councils largely inoperative, particularly in the case of larger banks. It is therefore found that, effectively, a system of employee representation through trade unions reaching across the different parts of the business exists in the four main case studies. In terms of the implications for the establishment of an EWC, this can be interpreted as the UK banks not being disadvantaged by the, in principle, less favourable domestic employee representation legal system.

The importance of 'sub-sector' variation has also been highlighted by this study. This has been illustrated by the different characteristics of banking businesses such as retail, commercial or wholesale banking. Despite commercial and, in particular, wholesale banking often having greater degrees of internationalisation, more integrated organisational and management structures, and higher degrees of HR coordination across borders, the characteristics of their workforce - smaller size, low unionisation rates, highly individualised working terms and conditions (including pay) - do not make them propitious for the emergence of a voice requesting the establishment of EWCs.

10.3 IMPLICATIONS OF THE RESEARCH

The findings of this research present a number of implications that can be grouped into four themes. These are the implications for research, for within-country research, for EWC's practice, and policy implications.

10.3.1 Implications for Research

One of the primary implications for ongoing research in the EWC field relates to debates surrounding EWCs as a platform for the 'Europeanisation' of IR. This is based on the idea that EU legislation has created for the first time a truly 'European' institution for the development of a company-level transnational system of IR. Within the context of current 'disorganised' decentralisation (Traxler, 1995) of IR in the UK and beyond, EWCs have been seen as driver for the convergence of workplace employee representation across Europe, and in this sense as a vehicle for the Europeanisation of IR at company level. Indeed, the more optimistic views in assessing their impact on the Europeanisation of IR emphasise the potential role that EWCs have to promote cross-border relations that in turn are likely to develop EWC's internal workings and the Europeanisation of trade union structures and policies (Turner, 1996; Dølvik, 1997). The findings of this study, however, reveal a mismatch between the prospects for Europeanisation and the organisational reality of some European MNCs. A common assumption among perspectives feeding the Europeanisation debate is that European MNCs focus their main foreign activities and investment within the European region. As this research has shown, both in the instances of Spanish and British international companies, this is not always the case. Historical and cultural factors may play a significant role in strategic decision-making around internationalisation. When this happens, evidence from this investigation has shown that interest in EWCs as a

European transnational structure for enterprise-based IR declines not only among management but, as significantly, among trade unions too.

In terms of future research, therefore, there is a need to pay more attention to the wider context of companies' operations and HR policies, not just within the European context, but worldwide. In particular, the implications for transnational information and consultation arrangements which extend beyond Europe could prove to be an important area of research, as the case of the Spanish banks clearly indicates. Although in the short-term EWCs might not be established, an indirect effect of the EWCD in the medium to longer term might be that it can potentially lead to the establishment of beyond-Europe information and consultation arrangements that embrace Latin America or other areas of the world. Indeed, future research in this direction could address the establishment and development of employee information and consultation forums that are may or may not be based on the EWCD, but that extend beyond Europe. Research by Müller and Rüb (2002), for example, has shown the scope of such activities in the Scandinavian manufacturing company SKF and the German car manufacturer Volkswagen. Whereas in SKF a 'world works council' pre-existed the company EWC, in Volkswagen a world council grew out of the company EWC and has now become as, if not more, prominent as its predecessor. As shown by the differing roles played by international trade union organisations in SKF's and Volkswagen's world councils, future research could explore the role of European trade union federations in pursuing 'beyond Europe-EWCs'.

10.3.2 Implications for Within-Country EWC Research

A second key implication of this research is that it has opened a new perspective on the understudied Spanish (and Mediterranean more generally) EWC experiences. It has

been shown that far from being a 'backward' IR model, Spain may display specific features, such as economic and cultural links with areas like Latin America, which affect the existence and functioning of EWCs and need further investigation.

A further implication is to draw attention to the importance of within country and even within sector variation in EWC practice. Literature in the area has established that both the sector and the specific form of capitalism (Hall and Soskice, 2001) characterising countries seem to predominate over country factors in determining EWC practice (Waddington, 2001a; Waddington and Kerchofts, 2003; Marginson and Sisson, forthcoming). The cases of HSBC and LTSB in this research have provided further evidence on the differences arising not only within countries but also within sectors as regards the 'capacity to act' of EWCs. Geographical differences in the organisation of their foreign operations seem to be important in accounting for the variation in practice found between the two EWCs. Likewise, the differences in trade union policy and strategy observed in unions within HSBC and LTSB emerged as a key factor for the 'activation' of EWC's activity. Although many authors (Turner, 1996; Dolvik, 1997; Lecher *et al.*, 1999) have seen EWCs as drivers towards the Europeanisation of trade union structures and policies, the case of LTSB has shown that the establishment of EWCs does not automatically lead to enhanced coordination and cooperation at transnational level.

10.3.3 Implications for EWC's Practice

The review of the literature on EWC practice conducted in Chapter 3 revealed ample variation in their 'capacity to act' and potential influence, ranging from those largely 'symbolic', whose activities are often confined to the annual meeting with no scope for influence over management decision-making, to those engaging in a more 'active'

exercise where information and consultation are implemented to sometimes a larger extent than stipulated in the EWCD itself. An important implication of this research relates to the significance of focusing on the banking sector. The findings obtained improve understanding on existing knowledge of EWCs within the specific context of the banking sector (e.g. previous studies of Cressey, 1998; Lecher et al., 2001). In particular, while earlier studies have predominantly focused on German or central European banks with EWCs based on the German IR system of co-determination, this study has explored new terrain in terms of focusing on Southern European banks, with different IR systems and organisational realities. Furthermore, it was also revealed in Chapter 3 that in examining the role of EWCs in the financial sector, a considerable number of firms were engaged in EWCs whose activities could be classified towards the 'symbolic' end of the line. The investigation presented in this thesis has helped to understand the conditions that may contribute to the existence of a large number of 'symbolic' EWCs. Research into the relationships between issues around the business activities, company structures and coordination of HR policies on the one side, and the potential role of EWCs on the other, has shown that cooperation on the employee side can be impeded by issues related to the international nature of the company concerned. Indeed, this appears to be the case not just among the different foreign employee delegations, but also within the home country employee side.

More generally, this investigation has provided an opportunity to contrast the findings of the research with previous studies concentrated mainly in manufacturing industries. Hancke's (2000) work in the car manufacturing industry can be considered a critical case in that the specific industry has been identified as one where EWCs have the potential to exercise larger influence given the strength the employee side organisation at national and local levels, as well as the presence of pre-existing cross-national trade

union networks. The focus on an industry belonging to the service sector has provided different lenses with which to examine a similar phenomenon. The in-depth study of the banking sector has revealed a number of distinctive features. Contrary to the manufacturing industry, where integrated production structures are common, the banking industry is more likely to present 'multi-domestic' (Porter 1986) structures, with more independent internal and management structures across countries. This is particularly so in retail banking where the bulk of employment is found, and where collective organisation is most firmly established. This is in turn likely to decrease the desire of management to have integrated HR policies reaching across countries, and therefore their willingness to dedicate their time to the development of an EWC.

A significant development, however, is the emergence of 'regional' structures within banks in which more closely aligned strategies and policies are likely to be pursued. This has been seen, for example, in the case of the two Spanish banks as regards their operations concentrated in Latin America, and in HSBC's operations in Europe, which are emerging as a block within their worldwide operations. Indeed, the existence of 'Europe' as a regional block within banking groups is likely to be key for the development of an 'active' EWC. On a different note, it is worth underlining the peculiarities of the banking sector (retail banking in particular) in terms of greater trade union strength and organisation when compared with many other service industries. The implications of a similar study in service industry firms with lower trade union presence are likely to be different from those of this study. Indeed, existing research has suggested strong links between the existence of well-established structures for employee representation and IR at company level and the effective operation of EWCs (Marginson et al., 2004). Since the former are more likely to exist in firms with greater trade union presence, an interesting exercise would be to contrast the findings of this

investigation with those of a study including service sector firms with lower degrees of unionisation.

Finally, an investigation of the banking industry has provided insight into the implications of the different types of banking businesses for the establishment of EWCs. The extent to which internationalisation of banking business is pursued and subsequently matched with internationalisation of business structures and HR policies varies significantly among the different banking business, with markets in wholesale banking much more internationalised and integrated than those in retail banking. Nevertheless, retail banking is more likely to provide an environment conducive for the emergence of EWCs, given the greater presence of collective employee representation, trade union strength and less individualistic employee terms and conditions.

Opportunities for further research can be provided by replicating this study in banking organisations both from the same and from different country origins, to provide further evidence on the validity of the country of origin effect and sector dependency arguments. Further research would also be useful in European banking firms of smaller size but still under the EWCD requirements, in order to examine the relationship between size and the nature of international company activities. In addition, while further investigation of the banking sector can still provide very useful insights, little is known about other service sector industries. This could be another area where in-depth comparative research, which could then be related back to the banking industry, would be fruitful.

10.3.4 Policy Implications

In terms of policy implications, this research has helped to improve understanding on the factors behind the relative lack of quantitative progress of EWCs. As noted in Chapter 3, despite the steady increase in the number of EWCs during the nine-year period since the adoption of the EWCD, there is still to date a large proportion of MNCs that have not set up an EWC, accounting to around two-thirds of the total number of MNCs covered by the EWCD (Kerckhofs, 2002:33). Chapter 3 also stressed the significance of size in determining compliance rates, with large MNCs more likely to have higher compliance rates. Likewise, it can also be expected that the stronger domestic employee representation legislation at national level, the greater compliance rates will be. This investigation of banking firms has provided novel insights into the factors lying behind the lack of EWCs in large and relatively well union-organised MNCs.

Finally, it is important to consider the implications of the analysis conducted in this thesis for the revision of the EWCD. Article 15 of the EWCD allows provisions for a review of the Directive, something that has been delayed for several years. In relation to this revision, a long-standing debate has referred to extending the scope of the EWCD by, for instance, lowering the company size threshold from 1,000 to 500 employees, with at least 100 employees in 2 different member states. Indeed, this is a theme for revision pursued strongly by the European Trade Union Congress (ETUC) (ETUC, 2004). This thesis does not provide much explicit evidence on the potential effects of such a change. This is partly because the thesis has examined large MNCs, and is thus not in a position to draw meaningful comparison with other sized firms. However, the analysis has shown that factors additional to size can dominate in providing influence regarding the establishment of EWCs. In particular, it has been found that the nature of

the firm's activities and its internationalisation strategy (where, what activities, and their degree of integration) have been overbearing factors in the large Spanish MNCs considered.

Another key issue in view of the revision of the EWCD relates to the triggering of requests to establish EWCs from employee representatives in a larger number of EWCs. This is especially important in scenarios where management adopts a passive approach. In the Spanish cases analysed in this research the activities and organisational characteristics of the two Groups were instrumental in employee representatives not requesting an EWC. The revealed importance of such factors suggests that a change in legislation on the basis of the ETUC's position on the revision of the EWCD (ETUC, 2004) may have limited effect in certain cases. The changes suggested do not explicitly augment the provisions of the Directive in relation to companies whose operations significantly extend beyond the confines of the EU. Having said this, the suggested 'one-year negotiation period' might have had an impact, in particular in the case of BBVA, where speedier negotiations once employee representatives in Belgium and France initially showed interest could have led to the establishment of an EWC.

Most fundamentally, however, the ETUC position does not engage with the issue of the nature and integration of company activities, which this thesis suggests to be crucial. There is an increasing tendency for developments such as the strategic orientation of some companies towards foreign markets, and especially beyond the European confines. These have increased the necessity for company-level employee initiatives that extend towards other regions of the world. While to date there are limited examples of this happening, such as in SKF, Volkswagen, Renault and DaimlerChrysler (Müller and Rüb, 2002), this research has demonstrated that such activities might need to be explored more fully in the future, in particular in sectors other than manufacturing,

where most experiences thus far have taken place. The evidence presented in this thesis could prove instructive in informing future research and policy-making around company international works councils and the revision of the current EWCD to include provisions for such developments.

A final issue that has become apparent in the research relates to how to move from the 'symbolic' to the 'active' end of the spectrum in EWC practice. As the cases of the EWCs at HSBC (for the first few years of its existence) and LTSB demonstrate, and as is suggested more generally from a recent survey conducted among employee representatives of EWCs in six countries (Waddington, 2003), a large number of EWCs in place "represent a case of structure before action" (*Ibid*:321). It should be acknowledged that EWC practice presents ample variation according to factors such as stage of development, approach of employee representatives and management, and the particular circumstances of the firm in question. Nevertheless, it can be argued that revision of the EWCD regarding a more exhaustive definition of 'information and consultation' in line with other subsequent community legislation on employee information and consultation and provision for adequate sanctions in the case of infringement of the dispositions laid down in the EWCD, in particular in terms of information and consultation provisions, would almost certainly prove useful in increasing the changes of EWCs becoming a meaningful component of a European system of IR at company level.

Appendices

Appendix to Chapter 3

Table 3.a: EWCs in the Financial Services Industry

MULTINATIONAL	Origin	EWC	Since	MULTINATIONAL	Origin	EWC	Since
Aachener Und Munchener	DE			Euroclear Group	BE		
Abbey National Plc	UK			Euronext	FR		
ABN-Amro Holding NV	NL	Yes	12/12/1997	Fondazione Cariplo	IT		
Aegon NV	NL	Yes	01/04/2000	Forsakrings Ab Skandia	SE		
Aker RGI	NO	Yes	01/10/1999	Fortis NV	NL	Yes	20/09/1996
Allianz AG	DE	Yes	24/07/1996	Garantie Mutuelle Des Fonctionnaires	FR		
Allied Irish Banks Plc	IE			Gerling Konzern	DE		
American Express	US	Yes	30/10/1998	Groupama SA Holding	FR	Yes	-
Aon	US			Grupo-Financiero Banco-Bilbao	ES		
Arag Allgemeine Rechtsschutz Verich. AG.	DE			Guardian Royal Exchange Plc	UK	Yes	01/01/1998
Assicurazioni Generali Spa	IT	Yes	11/11/1997	H&R Block Inc	US		
Assurances Generales de France	FR	Yes	21/04/1994	Hartford Financial Service Group Inc	US		
Axa-UAP	FR	Yes	20/06/1996	HDI Haftpflichtverband Der Deutschen Industrie VAG	DE		
Banco Santander Central Hispano	ES			Helvetia	CH	Yes	17/07/1996
Banco Comerciale Italiana	IT			HSBC Holdings PLc	UK	Yes	06/09/1996
Banco di Roma	IT			Hypoverinsbank	DE		
Banco Nazionale del Lavoro	IT			International Nederlanden Groep NV (ING)	NL	Yes	06/03/1996
Banco Popular Espanol	ES			Irish Life Plc	IE		
Banesto	ES			KBC	BE	Yes	19/09/1996
Bank Austria AG.	AT	Yes	04/09/1996	Kredietbank	BE	Yes	1994
Bank of Ireland	IE			Lloyds Register of Shipping	UK		
Bankgesellschaft Berlin AG	DE			Lloyds Bank Plc	UK	Yes	1999
Banque Bruzelles Lambert (ING)	BE	Yes	24/06/1996	Marsh&Mc Lennan Companies Inc.	US	Yes	
Banque de Bruxelles	ES			Monte Dei Paschi Di Siena	IT		
Barclays Plc	UK	Yes	18/09/1996	Morgan J.P.&Company Incorp.	US		
Basler Versicherung	CH	Yes	06/1996	Morgan Stanley, Dean Witter	US		
Bayerische Hypotheken-Und Wechsel-Bank	DE			Munchener Ruckversicherungsgesellschaft	DE		
Bayerische Vereinsbank AG	DE	Yes	11/09/1996	National Australia Group	AU	Yes	29/07/1997
Beneficial Corporation	US			Nomura Securities Ltd.	JP		
BNP Paribas	FR	Yes	10/07/1996	Nordbanken (NBH Konzern)	SE		
Caixa des Depots Et Consignations	FR			Norwich Union Insurance Group	UK	Yes	10/07/1996
Caixa General de Depositos (CGD)	PT			Royal&Sun Alliance Insurance Group Plc	UK		
Caixa rgan de Depositos (CGD)	ES			Royal Liver Assurance Ltd	UK		
Canada Life Assurance Company	CA			Sam Paolo IMI	IT		
Cartiere Burgo Spa	IT	Yes	19/09/1996	Schweizerische Lebensversch&Retenans	CH	Yes	13/09/1996
CGNU Plc	UK	Yes	01/07/1996	Schweizerischer Bankverein	CH		
Chase Manhattan Chemical Bank	US			Sedgwick Group Plc	UK	Yes	19/09/1996
Cigna	US			Skandinaviska Enskilda Banken (SE-Banken)	SE		
Citigroup	US	Yes	19/08/1996	Societe Generale	FR		
Commerzbank	DE			Societe Generale Alsacienne de Banque	FR		
Compagne Di San Paolo	IT			Sofinco	FR		
Coop. Centrale Raiffesen-Boerenleenbank BA	NL			Standard Life Assurance Co.	UK		
Credit Commercial de France	FR			Svenska Handelbanken AB	SE		
Credit Lyonnais	FR	Yes	12/09/1994	Union Bank of Switzerland	CH		
Creditanstalt-Bankverein	AT			Victoria Holding AG	DE	Yes	06/1996
Deutsche Bank AG	DE	Yes	10/09/1996	Winterthur Gruppe	CH	Yes	12/09/1996
Dexia	BE	Yes	24/06/1996	Worms (Athena Assurances) FR			
DG Bank	DE			Wustenrot&Wurttembergische	DE		
Dresdner Bank AG	DE			Wuttermbergische Aktiengesellschaft Versicherungs-Bet.Ges	DE		
Eureko BV	NL			Zurich Financial Services Group	CH	Yes	17/09/1996

Source: Own using information from various sources, mainly Kerchofts (2002).

Appendix to Chapter 6

Table 6.a: HSBC Bank's Operations in Europe

Country	Subsidiary's name	Activities offered
Armenia	HSBC Armenia Bank HSBC Insurance (Armenia)	CIB, TCM, PB, I
Belgium	HSBC Bank plc. (branch)	GP&CM
Cyprus	HSBC Private Bank (Cyprus) HSBC Insurance Brokers Ltd. Cyprus Popular Bank (21,84%)	PB, I, CIB, Retail Banking
Czech Republic	HSBC Bank plc. (branch)	CIB, TCM, IB
France	HSBC Bank plc. HSBC Investment Bank plc. HSBC Securities (France) Ltd. CCF	CIB, TCM, IB, EB, WM, PB, Retail Banking
Germany	HSBC Trinkaus & Burkhardt KgaA	CIB, TCM, EB, PB
Greece	HSBC Bank plc. (3 branches) HSBC Investment Bank plc. European Popular Bank, S.A.	WM, FM, EB, CM, AS, CIB, TCM, PB, Retail Banking
Guernsey	HSBC Bank plc.	Offshore banking
Ireland	HSBC Bank plc. HSBC Global Investor Services (Ireland) Ltd. HSBC Life (Europe) Ltd. HSBC Insurance Brokers (Ireland) Ltd.	WM, CIB, I
Isle of Man	HSBC Bank plc.	Off-shore banking
Italy	HSBC Bank plc. HSBC Investment Bank plc. HSBC Investment Services (Italy)	CIB, TCM
Jersey	HSBC Bank plc.	Off-shore banking
Luxembourg	HSBC Trinkaus & Burkhardt (International) S.A. HSBC Investment Funds	IB, MF, PB
Malta	HSBC Bank Malta plc. HSBC Bank plc. HSBC Life Assurance (Malta) Ltd. HSBC Fund Management (Malta) Ltd.	CB, TCM, Offshore Banking, FM, PB, Retail Banking
Netherlands	HSBC Bank plc. (branch) HSBC Investment Bank N.V.	P&CM
Poland	HSBC Investment Services (Poland) -branch HSBC Securities Polka	IB,B
Russia	Office of representation	IB
Spain	HSBC Bank plc. HSBC Investment Bank HSBC Fund Management plc	CIB, TCM, WM, FM, PB
Sweden	HSBC Bank plc. (branch) HSBC Investment Bank plc.	CIB, IB, EB
Switzerland	HSBC Private Banking HSBC Guyerzeller Bank AG	PB, IB, TCM, AM,
Turkey	HSBC Bank A.S.	CIB, TCM, WM, PB
UK	HSBC Bank HSBC Insurance Brokers Ltd. HSBC Asset Management Ltd. HSBC Private Banking HSBC Asset Finance (UK) Limited HSBC Investment Bank	CB, PB, IB, Retail Banking

* CIB-Corporate and Institutional Banking; WM-Wealth Management; CB-Corporate Banking; PB-Private Banking; TCM-Treasury and Capital Markets; I-Insurance; GP&CM-Global Payments and Cash Management; IB-Investment Banking; EB-Equity Brokerage; FM-Fund Management; CM-Capital Markets; AS-Advisory Services.

Appendix to Chapter 7

Table 7.a: BSCH's Operations in Latin America - Retail and Commercial Banking

Country	Institution	%Participation
Argentina	Banco Río de la Plata	52,39%
	Banco Tornquist (OHCH)	100%
Bolivia	Banco de Santa Cruz	92,45%
Brasil	Banco Santander Brasil, S.A.	89,23%
	Banco Meridional	97%
Chile	Banco Santander Chile	89,01%
	Santander Leasing (Chile)	99,04%
	Santander de Factoring (Chile)	99,02%
	Corredora de Seguros Santander Ltda.	89%
	Banco de Santiago	43,57%
	Santiago Corredora de Seguros	43,53%
	Santiago Leasing	43,35%
Colombia	Banca Santander Colombia, S.A.	68,86%
	Banco Santander Colombia-Panamá, S.A.	100%
	Bansaleasing Colombia, S.A.	100%
México	Banco Santander Mexicano, S.A.	83,89%
	Invermexico, S.A. de CV de Bolsa	83,89%
Panamá	Sucursal BCH Panamá	100
Paraguay	Banco de Asunción, S.A.	98,09%
Perú	Banco Santander Central Hispano Perú	100%
Puerto Rico	Banco Santander Puerto Rico	80,41%
	Bansander de Leasing Corporation	100%
Uruguay	Banco Santander Uruguay	100%
	Plata Card (personales, S.A.)	100%
Venezuela	Banco de Venezuela, S.A.	97,79%
	Santander Global Bank USA	100%

Source: El Banco - Informativo BSCH (n.4 Mayo 2000:13)

Table 7.b: BSCH's Operations in Latin America - Wholesale Banking

Country	Activity	Institution	%Participation
Argentina	Investment Banking	Santander Merchant	99,97%
		Santander Sociedad de Bolsa	52,39%
	Asset Management	Origenes AFJP	48,98%
Brasil	Investment Banking	Santander Merchant (Brasil)	89,23%
		Bozano Simonsen	97,00%
	Asset Management	Santander Brasil Asset Management Ltda.	89,22%
Chile	Investment Banking	Santander Investment Chile Ltda.	99,99%
		Santander Corredores de Bolsa	99,99%
		Surandinas Agentes de Valores	100
	Asset Management	Santander Administrador de Fondos Mutuos	88,96%
		AFP Summa	99,04%
		Santiago Administradora-Fondos de Inversion	43,55%
Colombia	Investment Banking	Santander Investment Trust Inc. Colombia	100%
	Asset Management	Colmena AIG	100%
		Davivir	100%
México	Asset Management	Afore Santander	87,92%
		Gestión Santander (México)	83,89%
Perú	Investment Banking	Santander Sociedad Agente de Bolsa	100%
	Asset Management	AFP Unión Vida	97,29%
		Fondos Mutuos (Perú)	100%
Puerto Rico	Investment Banking	Santander Investment International Bank	100%
Uruguay	Asset Management	Santander Afap	99,91%
		Fondos Santander	100%
Venezuela	Investment Banking	Valores Santander	76,5%
		Santander Investment International Bank	100%

Source: El Banco - Informativo BSCH (n.4 Mayo 2000:p.13)

Table 7.c Results of Trade Union Elections in BSCH (2002)

Trade union	No. of delegates	Percentage
CC.OO.	396	31.88%
U.G.T.	366	29.44%
F.I.C.T.	177	14.24%
A.M.I.	132	10.62%
C.I.T.	98	7.88%
C.S.I.F.	15	1.21%
E.L.A.	14	1.13%
L.A.B.	11	0.88%
S.A.S.	11	0.88%
C.G.I.	9	0.72%
I.S.B.S.	6	0.48%
Coalición	4	0.32%
C.C.	3	0.24%
E.S.K.	1	0.08%

Source: (Comfia-CC.OO.)

Table 7.d: BBVA Group - Operations in Latin America (BBVA America)

Country	Bank	% Participation
Argentina	BBVA Banco Francés	100%
Brasil	BBVA Brasil	100%
Colombia	BBVA Banco Ganadero	100%
Chile	BBVA Banco BHIF	100%
México	BBVA Bancomer	100%
Panamá	BBVA Panamá	100%
Paraguay	BBVA Paraguay	100%
Perú	BBVA Banco Continental	100%
Puerto Rico	BBVA Puerto Rico	100%
Uruguay	BBVA Banco Uruguay	100%
Venezuela	BBVA Banco Provincial	100%

Table 7.e: Results of Trade Union Elections in BBVA (2002).

Trade union	No. of delegates	Percentage
CC.OO.	218	30.15%
U.G.T.	145	20.06%
A.M.I.	179	24.76%
F.I.C.T.	11	1.52%
C.I.G.	12	1.66%
E.L.A.	29	4.01%
L.A.B.	13	1.80%
E.S.K.	1	0.14%
SABEI	7	0.97%
S.O.L.	1	0.14%
U.S.O.	3	0.41%

Source: (Comfia-CC.OO.)

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